PROBLEMS *in* AMERICAN DEMOCRACY

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Problems in
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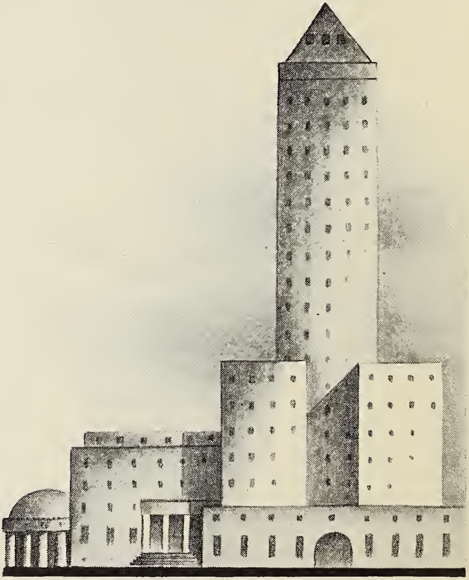

THE MACMILLAN COMPANY

American Democracy

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INTRODUCTION

Problems in American Democracy is offered as a basic text for senior-high-school students; it is designed as a survey of *Contemporary American Civilization.*

Part One treats the basic social factors in modern civilization; Part Two, the economic aspects of modern civilization; Part Three, its social aspects; and, finally, Part Four, its political aspects. These separate parts, however, are merely different views of our American Democracy, taken from different sides, in order to obtain a complete and meaningful picture of the whole subject. In reality, all *Problems of American Democracy* have their economic, their social, and their political aspects. Our order of development seems both logical and pedagogical, for *many social problems have their origin in economic change and their solution in political action.*

Part One, the introduction, and Part Four, the conclusion, are naturally shorter than the two central parts. Many so-called political issues are treated incidentally in other sections of the book than Part Four, in order to preserve the *unity* of certain great *Problems of American Democracy.* Parts Two and Three on economic and social problems are the longest; hence they are divided into coherent and sequential *Units,* each of which constitutes a group of related chapters dealing with a central theme. Each *Part* is introduced by an *Inspirational Quotation* and a *Preview.* Although *Chapters* necessarily vary in length with the nature of the subject, they are broken into logical and convenient *Sections* for classroom assignment and review.

Social problems arise from failure to take prompt and

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full advantage of our abundant opportunities to create and to enjoy the good life. *Problems in American Democracy* thus consist of contrasts and conflicts, such as poverty amid plenty, disease despite enlightenment, and nationalistic warfare instead of humanitarianism. These and other pressing problems of modern civilization are presented in the hope that education, in its best and broadest sense, will contribute to their solution.

Social problems are presented as dilemmas, as well as paradoxes. Several solutions often are possible. After careful examination of the facts in the case and with sober judgment as to the consequences involved, the student is forced to make his own choice of the various alternatives presented. This text should help a student to think, but it will not do his thinking for him.

To these ends, each chapter presents a particular problem, brought to a focus in the *Summary*. Each chapter is opened with a brief statement of its *Objectives* and closed with a vocabulary drill or *Word Study*. Teacher and student are also given the following instructional aids at the end of each chapter: *Questions on the Text,* to test knowledge; *Application and Interpretation,* to provide motivation and individualization; and *Suggested Activities,* to stimulate action and reaction. In short, a serious effort has been made to induce intelligent reading, to impel sound thinking, to inspire wholesome feeling, and to generate active doing, all of which together constitute the necessary educational processes and the desirable educational outcomes.

Select lists of *Collateral Readings* in other high-school texts and *Advanced Readings* in college texts and specialized works, each containing specific assignments, are found at the ends of all chapters. In some cases, *References* to source materials and special reports are included. A workable *General Bibliography* and an inclusive *Index* are placed at the back of the text.

All authors have difficulty in acknowledging the indebtedness incurred in the creation of a book. Suggestions from friends and from teachers of the subject, kindly criticisms from users of previously published works on kindred topics all have been extremely helpful. It is impossible to express our thanks individually, but that makes our feeling of appreciation no less. Finally, a particular word of thanks is due Miss Agnes Flanagan for her able help in reading the manuscript and preparing the index.

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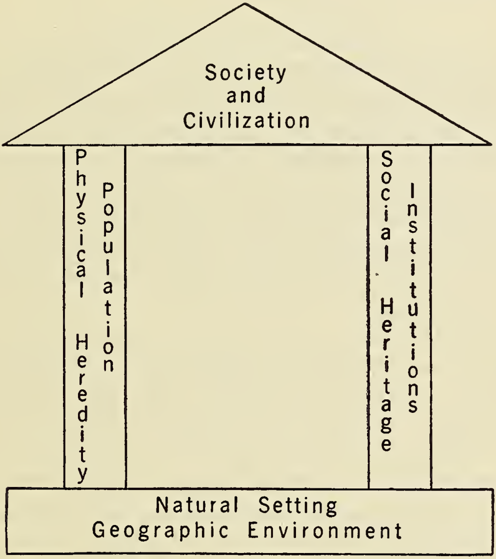
PART ONE

BASIC SOCIAL FACTORS IN MODERN CIVILIZATION

CHAPTER I. CIVILIZATION AND SOCIAL PROBLEMS
CHAPTER II. AMERICA'S NATURAL RESOURCES
CHAPTER III. FUNDAMENTAL INSTITUTIONS OF SOCIETY
CHAPTER IV. WE THE PEOPLE OF THE UNITED STATES


Society and Civilization
Physical Heredity
Population
Social Heritage
Institutions
Natural Setting
Geographic Environment

BASES OF OUR AMERICAN DEMOCRACY

PREVIEW TO PART ONE

BASIC SOCIAL FACTORS IN MODERN CIVILIZATION

Nations, like individuals, live or die, but civilization cannot perish.—MAZZINI.

The true test of civilization is, not the census, nor the size of cities, nor the crops, but the kind of man that the country turns out.—EMERSON.

Part One is introductory. It paves the way for a later and more detailed study of the great economic, social, and political problems which vex our people today. It explains the meaning of civilization and the nature of social problems; it shows the influence of geographical environment on American life; it stresses the importance and functions of our ancient institutions; and, finally, it observes the people of the United States, who carry on the activities of American democracy and who wrestle with its problems.

Chapter I is concerned with the general topic of this gripping drama, namely, social change and readjustment to change. Chapter II sets the stage with our physical surroundings. Chapter III outlines the story of the origins of our social institutions, which go far back beyond the beginnings of American history. Chapter IV introduces the actors, who are ourselves, the people of the United States.

CHAPTER I

CIVILIZATION AND SOCIAL PROBLEMS

Objectives:

(1) To appreciate our heritage in civilization.
(2) To understand the significance of social change and the necessity of readjustment to social changes.
(3) To realize the nature of a social problem and the difficulty, as well as the possibility, of the solution of social problems.

A. Our Social Heritage

1. A Royal Grant. It was one of several rainy days in spring; the tennis courts held pools of water and all outdoor sports were impossible. A boy and his sister looked wistfully out of the window against which raindrops were beating dismally. These young people were tired of the continued necessity of staying indoors and bitterly disappointed by the enforced postponement of their baseball game and tennis match. What could be done to pass the dreary Saturday afternoon?

"I think that I shall go up into the attic to examine my last year's bathing suit," said the girl finally. "Summer is not far off, and this weather makes me think of water sports." So Mary ran out of the room, leaving her brother sprawled in a huge armchair reading. Some minutes later, however, she called down excitedly, "Oh Charles, come see what I have found in this trunk." Her brother, willing to be entertained by any trifle, climbed the stairs to the attic, and stumbling over discarded housefurnishings, made his way to his sister's side.

While looking for her bathing suit in an old trunk, Mary had come across an ancient document, and she was busy trying to make out its faint letters and to discover its meaning. Charles, somewhat older and much wiser by a year in college, at last declared that the dusty old sheet was the original deed, or title, to a vast tract of land, which had been given long ago by an English king to an early settler in America. One of their own ancestors, perhaps, had received this royal grant to an estate in the New World.

This boy and girl and, indeed, all readers of this book are heirs to a greater and surer legacy than this particular one; we are the true heirs to a magnificent civilization, created by the efforts of numberless ancestors through countless generations in all lands of the earth. Let us examine then this noble legacy of civilization, which many of its present heirs take so lightly, in spite of its enormous value, its terrible cost, and its great antiquity.

2. Nature of Civilization. Culture, or civilization, is, in reality, the life of a people. It is not the physical life of those individuals making up the group, but their social life; that is, their ways of living and their ways of getting a living. Just as an individual inherits physical life or receives a legacy of goods from his parents, so one generation receives the civilization of previous generations. Civilization, then, is a social heritage or a group legacy of the present age from the past history of the race.

Civilization includes not only things accomplished but also knowledge learned by earlier peoples. Illustrations of material possessions, which our present civilization has inherited from those of the past, include Egyptian pyramids, Greek sculpture or statues, Roman roads and buildings, and medieval castles and cathedrals. Even more important than these material remains of past cultures, however, are their contributions to our present knowledge. For example, the Hebrew belief in One Supreme God lived on after the destruction of the Jewish temple. Similarly, Greek ideas of art and Roman ideas of law and government have been more permanent than their beautiful and massive buildings. Other examples of our present civilization's nonmaterial—but no less important—legacies from past cultures are the Phoenician alphabet and the Anglo-Saxon belief in self-government.

Aside from material remains, our heritage from the past may be divided roughly into two parts: ways of getting a living, which include such industrial skills as building, weaving, and farming, and ways of living, which include such social institutions as the family, the state, the school, and the church. The slowly acquired knowledge and the painfully learned experience of past cultures have gone into the making and into the very being of our present civilization. Ours is, indeed, a noble legacy, far more valuable than any royal grant or any discovery of buried treasure.

3. Antiquity of Mankind and Accomplishments of Primitive Man. The human race has probably lived on the earth for several hundred thousand years, perhaps even longer. The historic or recorded period is a relatively brief and recent chapter in the long, long story of mankind's social development. The historic period began only several thousand years ago, by which time man had learned to write and thus to leave written records of his feats. The so-called "dawn of history" in the river-valleys of the Nile and the Tigris-Euphrates was written down by the Egyptians on stone and by the Babylonians on brick.

Although they have had no written records to consult, modern students of primitive man have learned of his culture from the remains of his weapons, tools, ornaments, and other things found in prehistoric graves, mounds, and caves. They have concluded that modern man owes much in his present civilization to the early achievements of primitive man. It was he who domesticated wild animals and cultivated plants for his own use, who first wove fabrics into cloth and molded clay into pottery, who discovered fire and thus was enabled to work metals, who laboriously and cleverly made weapons and tools from bone and stone.

4. Stages in Economic and Social Development. Man's economic development can be divided into stages according to materials used. There was an early age of stone, followed by a shorter age of metals. The stone age, in turn, can be subdivided into a very early rough stone age and a somewhat later age of chipped or polished stone. Similarly, the age of metals can be subdivided into the following general stages of development: first, copper; then, bronze; later, iron; and still more recently, steel. For the most part, prehistoric man lived in the stone age and historic man in the age of metals.

The story of man's economic development can be read in the occupations he followed, as well as in the materials he used. The most primitive man, in a stage of savagery, was a catcher or collector of foods, not a tiller of the soil; he and his little family group lived the lonely and difficult life of the hunter and fisher. Less primitive man, still in a stage of barbarism, lived the pastoral life of a shepherd, for he had domesticated some animals such as sheep and cattle. He generally belonged to a wandering and warring tribe, seeking and conquering pasture lands for his flocks and herds. The least primitive man, in an early stage of civilization, had learned to till the soil and had come to settle more permanently and peacefully in villages. This was the agricultural stage of economic development in which the political institution of the state took form. Later on, handicrafts arose, and trade sprang up. This later stage of civilization developed towns, markets, and other economic institutions. Lastly, there came modern industrial civilization, with power machinery, the factory system, enormous cities, and highly organized government.

5. Characteristics of Modern Civilization. Civilization is very old; its origins go back far beyond historic records to the dim ages of prehistoric man. Basic industrial skills were learned and fundamental social institutions were formed long before the invention of writing.

Civilization is continuous. It has survived plagues and famines, wars and riots. Somewhere and somehow groups of courageous and energetic people managed to escape or overcome disaster and to preserve their culture for their children and their children's children. The comfort and safety of modern life make it difficult for us to realize the hardships and dangers of primitive life, in which the spark of human genius, struck off the flint of sheer necessity, lighted the torch of civilization, which, on down through the dark ages of the past, one generation has passed on to the next generation. We must not fail to catch this burning torch of civilization; we must keep it burning brightly and then pass it on safely to those who follow us.

Civilization is cumulative, as well as continuous; that is, each generation receives the culture not merely of one but of many previous generations. Also, each generation should contribute something of its own to that social legacy, which may be enjoyed but which must also be increased before being handed on to the next generation. Like a coral reef, one generation builds on the preceding generation, but rests on all previous generations.

Finally, civilization is changing, even though continuous and cumulative. Indeed, the only unchanging characteristic of life—the social life of the group as well as the individual lives of its members—is the persistence of change itself.

B. SOCIAL CHANGE AND READJUSTMENT TO CHANGE

6. Origins of Social Change. Social change may be peaceful in character, resulting from the introduction of new ideas or the invention of new devices. On the other hand, it may result from foreign war or domestic strife, as was the case in the Roman Empire after its foreign conquests, after the introduction of Christianity, and the intrusion of the German barbarians.

The forces of social change may come from without a country, due to the activities of missionaries, traders, soldiers, travelers or adventurers, seeking God, gold, or glory. They may come also from forces within a country itself. The Norman Conquest of England illustrates the former, and the invention of power machinery in England, centuries later, illustrates the latter.

7. Kinds of Social Change. There are periods of slow change, followed perhaps by periods of rapid change, followed again probably by periods of gradual transition or readjustment to new conditions. Thus, the breakup of the Roman Empire was followed by a long period of slow readjustment to previous changes; the new Germanic contributions, gradually united with the old Romanic contributions, formed the mixed medieval culture of Charlemagne's period.

Some civilizations change so slowly or so slightly that the stream of social progress seems to have dried up or to have drained into stagnant pools. On the other hand, some periods or peoples seem to experience such numerous and sweeping changes that definite and general trends are difficult to discover. Thus, the events of modern history, in contrast to medieval history, have run on like a madly rushing stream. Recent social changes, like those of the World War and the great depression, have been especially swift, sudden, and serious.

In short, social change may be evolutionary or revolutionary. Evolution is slow, piecemeal change. Revolution, on the contrary, is rapid, fundamental change. The very word revolution means a turning about. A revolution in society, like the revolution of a wheel, may turn things upside down.

Social change, especially revolutionary change, may be peaceful or violent, thoughtful or emotional, deliberate or haphazard. It is a great mistake to believe that all revolutions are bloody revolutions. The Industrial Revolution, for example, was a peaceful change in methods of production. The great gains of the French Revolution, a more spectacular social change of that period, were made by delegates in deliberative assemblies, not by mobs in the streets of Paris.

Finally, social change may take place in both industrial techniques or ways of getting a living, and in social institutions or ways of living. The discovery of fire, the domestication of animals, and the use of metals changed primitive man's methods of getting a living; the invention of power machinery was a great technical change in modern man's methods of production. Changes in social institutions or ways of living may be illustrated by such revolutionary social changes as those of the Renaissance, the Protestant Reformation, and the American, French, and Russian Revolutions.

8. Results of Change. Any change necessitates some readjustment, but even a slight readjustment is a bit difficult. Changing the furniture around in your room may improve its appearance, but until you get used to the new arrangement you may stumble over some object in the dark. Old habits are difficult to change, and the process of readjustment to new and even better conditions is not always easy for human beings who are slaves of habit.

Going off to college requires an adjustment in the life of an individual, for the college student must be more self-reliant than the high-school student. Any great change within the family circle, such as that caused by birth, death, or marriage, requires an even greater adjustment in the life of that family. Similarly, any social change, whether evolutionary or revolutionary, requires some readjustment, be it slight or great.

Lack of adjustment, delay in adjustment, improper adjustment, or inadequate adjustment is known as a maladjustment. A door which creaks, which does not fit, or which fails to stay closed illustrates a mechanical maladjustment. A problem child similarly is a maladjusted person. A boy or girl in school who wastes time and thus misses this educational opportunity is another human maladjustment. Continuance of former extravagance, despite the death of the breadwinner or the birth of a baby, illustrates a family maladjustment.

The invention of power machinery and the introduction of the factory system were great social changes, known as the Industrial Revolution. They were followed by such social maladjustments as the unemployment of men and the entrance of children into industry. Despite opposition and delay, social adjustment was finally secured through unemployment insurance and child-labor legislation.

The existence of social maladjustments and the necessity for social readjustment are results of social change. Attempts at social adjustment, however, meet resistance. Continuance of social maladjustments and failure of readjustment, nevertheless, arouse social unrest. On the one hand, social resistance opposes social change and readjustment to it. On the other hand, social unrest encourages social change and readjustment to it.

9. Adjustment to Change. The forces of social change, readjustment, and social unrest may be compared to a river cutting a new or a deeper stream-bed in the good earth of human society. Social maladjustments and resistance to change would then be comparable to the rocks in its valley, against which, over which, or around which this roaring, rushing stream of social change pushes its way on to the great sea of human progress.

Social maladjustments are social ills, social abuses, and social prejudices, growing out of or fastened to human conflict, human misery, and human ignorance. They can be illustrated by war in spite of enlightenment, by poverty amid plenty, and by distressingly high rates of preventable diseases and needless deaths in the face of increased knowledge and improved techniques.

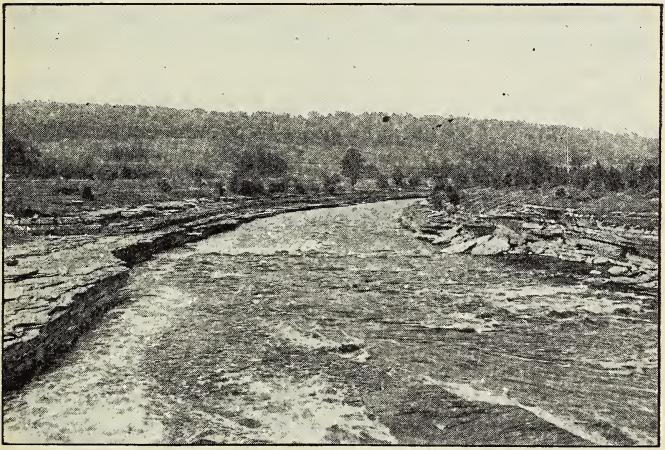


Photo by Philip D. Gendreau

THE BLACK RIVER NEAR WATERTOWN, N.Y.
The cutting power of moving water is shown by the manner in which the river has cut its way through bedrock.

Although there is a great and continuous gap between current needs and current deeds, readjustment slowly but surely follows social change. Social changes produce alterations in public opinion, which, in turn, finally bring about legislative changes through the passage of new laws and the repeal or amendment of old laws. Nevertheless, custom is a social habit of thought which is difficult to break; it resists social change and retards readjustment to it.

10. Resistance to Change. Although social changes in the form of new inventions and discoveries, improved techniques and better methods of getting a living are rapidly adopted because they are profitable, social change in institutions or ways of living takes place slowly. There is resistance to changes in government, education, and religion, for people tend to cling to their old attitudes and to the ways of their fathers.

Social change in ways of getting a living and resistance to it in ways of living can be seen in the penetration of western ideas into the Orient. In Tokio, for example, the visitor finds modern office buildings and factories, swift automobiles and railroads, and remarkable industry and efficiency in methods of getting a living. But he also discovers that the Japanese people have kept many of their old customs or ways of living, such as reverence for their ancestors and worship of their emperor.

Contrasts in rates of social change are likewise evident in the United States. Manufacturers have been quick to introduce new machinery and improved processes of production. They have been more reluctant, however, to accept a new attitude toward government; some of them still look with suspicion and disfavor on increased governmental regulation of industry.

11. Social Unrest. Disturbance and dissatisfaction arise from new ideas and higher ideals. Social unrest indicates this discontent with past viewpoints or present conditions. It is a force making for future progress or further change. Social unrest slowly grinds away or suddenly breaks away the hard old rocks of social abuses and social ills from the stream-bed of social change. But it may also pour itself out in destructive instead of constructive fashions, in violent instead of peaceful attempts to right real or fancied social ills.

Social unrest is particularly vicious when kept secret and when forced to work underground instead of in the bright daylight of publicity; it is especially dangerous when suppressed by restrictions on freedom of speech or freedom of the press. When social unrest is expressed in crude passions and blind prejudices, instead of with calm reason and in democratic deliberation, it endangers social control and threatens social progress. The excesses of the French and Russian Revolutions illustrate the menace of long suppression followed by sudden expression of social unrest.

C. Social Problems and Their Solution

12. Pandora's Box. An old Greek fable tells the story of a girl by the name of Pandora, who had been given a box, but who, unlike Mary in our little tale, had been told never to open it. Finally, however, her curiosity overcame her fear for she disobeyed her instructions and opened the mysterious box. Out from it, according to legend, there flew many of the ills, miseries, and problems which later troubled a weary world. Dismayed by her act, Pandora was comforted by Hope, which also, happily, had been confined in the box of troubles.

Civilization is society's treasure chest, containing a rich legacy in many achievements of past ages. But alas, it is also a box of troubles. We have inherited not only the culture of previous generations, but also primitive hates, fears, and prejudices. Like Pandora, however, we still have hope in a future for the human race better than that which the bitter experience of a war-cursed and depression-shattered generation would seem to warrant.

13. Hope in Education. Society's hope, in turn, is based on faith, faith in education. It is only truth which can set men free, free from fear, hate, and prejudice. These three weird witches ride wildly through the dark night of ignorance on their broomsticks of misinformation, misunderstanding, and superstition, but disappear at the dawn of knowledge or at the sight of facts. It is education then which may yet be able to substitute knowledge for ignorance, sympathy for prejudice, love for hate, and peace for war.

Education makes for an awareness of social problems, whereas ignorance throws its dark shadows over them so that they cannot be seen. Indifference breeds neglect of social ills or a passive acceptance of them.

An intelligent and informed public opinion makes for social progress and for the solution of social problems. Democracy especially needs education to promote tolerance and social control, to achieve liberty within the law. It has been said that America will not be a good country for any of us until it is a good country for all of us.

On the other hand, a corrupt or contented society, like an evil or ignorant person, has little or no realization of the existence of a social or moral problem. A deadened conscience or a stupid mind fails to respond to social ills and human misery which it cannot understand or appreciate.

14. Nature of Social Problems. Civilization is complex as well as changing. Even primitive society was far from simple; its culture contained numerous and varied elements. Modern civilization is even more complex. Not only has it inherited age-old problems, such as war, disease, and poverty, but it has added its own problems or new phases of these old problems, such as poison gas, nervous strain, and machine unemployment.

Social problems are as difficult as they are numerous. A measure helpful in solving one problem may create another. The granting of home relief, for example, giving financial assistance to individuals and their families and often necessary to relieve their distress, may ultimately weaken their self-reliance and destroy their independence. Thus, a social remedy helpful in one way or to one problem may be injurious in another manner, just as in the medical sciences it has not been easy to discover or to develop drugs strong enough to kill germs yet mild enough not to destroy tissue. War is a strong but fatal drug for society; nevertheless, nations have continued to drink deeply of this bitter cup; they have often gone to war to right their real or fancied wrongs, even though in so doing they have destroyed themselves as well as their enemies.

Finally, the problems vexing society are not only numerous and difficult, but also composite in character; that is, they have many parts or phases. Social problems are likewise economic and political in character. These different threads—social, economic, political, and moral—are so closely interwoven in the fabric of American democracy that only the fine needle of the careful student can pull them apart for close study; yet even in so doing, the whole pattern of civilization may be lost.

Economic life is basic in any culture; hence it may be well to begin with a study of some major economic problems of American civilization. But economic problems have important social consequences and involve great moral issues. When social reforms are attempted through a program of legislative action, political aspects of these same problems come to the fore.

The Industrial Revolution brought about tremendous economic changes in methods of production. These had vital social consequences such as the employment of women and children in factories. In turn, these social changes, involving new moral issues, brought about political readjustments in the form of new factory legislation and increased governmental regulation of industry.

15. Origin of Social Problems. (*a*) *Inadequate Control.* Social problems arise from a conflict of interests between individuals or between groups. Human wants are unlimited, but natural resources are limited. Hence business rivalries develop and wars occur. Although conflicts of economic interests cannot be eliminated, it is possible to adjust them by compromise and arbitration, and through peaceful discussion of the points at issue. Again, a fairer apportionment of natural resources in relation to human needs would reduce the stresses and strains of modern life.

Social control refers to the influence of a group on the individuals who compose it. Whereas men formerly fought out their personal differences in duels on the so-called "field of honor," today they argue them out in a war of words and wits in courts of law. Nations, however, have not yet learned to substitute reason for force and right for might.

Social problems arise in the absence of social control and in the presence of mob rule and lynch law. But social problems also arise when social control is despotic and intolerant. The one extreme of dictatorship is as bad as the other extreme of lawlessness.

(*b*) *Inadequate Progress.* Social problems have been compared to boulders in the stream of social change; they have been regarded as obstacles which resist attempts to readjust social conditions. Progress, on the contrary, has been viewed as social readjustment; it has been defined as social change definitely planned toward a social ideal or toward a desirable goal of group welfare.

Social problems arise as a result of rapid economic change in advance of social readjustment to it, and of mechanical invention without adequate social control.

This then is the fundamental problem of modern society: to hasten social readjustment to economic change and to supply social controls for economic inventions.

Social problems arise also from the failure of society to bring popular practices into accord with existing knowledge and to lift the attitudes of people to higher levels of true and good points of view. Social problems abound in a changing society, characterized by mechanical invention and scientific discovery, which is slow to apply its new knowledge to old traditions or which actually resists social readjustment to new conditions. Social problems persist in a progressive society in which rising standards and higher ideals create social unrest with past prejudices and present abuses.

16. Solution of Social Problems. The changing character of civilization makes social problems continuous; one problem is succeeded by another or by a different aspect of the same problem. The solution of social problems, therefore, is as temporary as it is difficult. For the maintenance of social control and for the achievement of social progress, however, attempts at solution are continually necessary.

Social problems have been approached from either or both of the following points of view: (1) prevention through increased knowledge of causes and (2) amelioration through increased sympathy and help. The former method seeks the solution of social problems; the latter attempts relief for sufferers from them.

Poverty and crime can be used to show this contrast. Preachers of religion and teachers of morality have emphasized forgiveness and charity, which, like the quality of mercy, blesses him who gives as well as him who receives. A coldly scientific attitude, however, regards poverty and crime as social diseases, to be studied with care and to be treated without sentiment. Just as yellow fever and typhoid fever have been reduced by increased knowledge of the causes and carriers of these diseases and by increased control over conditions favorable to their development, so poverty and crime can be reduced by a similarly careful study of, and a similarly effective attack on causes, carriers, and contributing conditions.

A physician, for example, must continue to treat his patients with the greatest skill at his command and with the best information available, while a research student continues his experimentation and investigation, as a result of which the physician's scientific knowledge may be increased and improved. Similarly, practical social workers must care for the dependents and delinquents in their charge, while students of sociology continue their research into the causes of dependency and delinquency. But, care without cure and the amelioration of distress without the elimination of its causes would be like bailing out a boat without repairing the leak through which the water continues to rush in.

Summary. Civilization is the cultural life of a group, the social heritage of the race. It is changing, continuous, and cumulative. Modern man owes much to the inventions and discoveries of primitive man and to his development of ways of living and ways of getting a living.

Social change necessitates readjustment to change. When that does not take place promptly and adequately, maladjustments arise or continue. These, in turn, create social unrest, which makes for further change. When expressed from a constructive point of view, social unrest makes for progress; when expressed from a destructive viewpoint, social unrest makes for loss of control. Readjustment to social change is not easy; it often meets with resistance. Customs or social habits of thought are hard to change.

Social problems arise from a conflict of economic interests, from inadequate social control, and from the progressive character of human society. Because civilization is so complex and so changing, the solution of social problems is difficult and, of a necessity, temporary. Remedial measures should include not only the relief of existing distress, but also the removal of its causes.

Word Study: Legacy, heritage; culture, civilization; savagery, barbarism; historic, prehistoric; primitive, pastoral; revolution, evolution; amelioration, adjustment, readjustment, maladjustment; techniques, technology; complex, composite; continuous, cumulative; discovery, invention.

QUESTIONS ON THE TEXT

1. (*a*) How would you define civilization or culture from your reading of this chapter? (*b*) Do you know any other definitions given these terms?

2. Distinguish between the material and the nonmaterial elements in civilization. Give illustration of each type.

3. (*a*) What is meant by our social heritage or our social legacy? (*b*) What is our duty toward it?

4. (*a*) Give some important accomplishments of primitive man. (*b*) How can his development be divided into stages? Illustrate.

5. (*a*) Distinguish between the historic and the prehistoric periods. (*b*) Which was the longer? The more important? Why?

6. Civilization has been said to be *changing, continuous,* and *cumulative.* Explain the meaning and significance of these three adjectives.

7. Discuss the origins and types of social change.

8. What is a social maladjustment and what is the process of readjustment or social adjustment? Illustrate each and also resistance to social change.

9. (*a*) When and how is social unrest beneficial? (*b*) When and how is social unrest dangerous?

10. (*a*) What do you understand by social progress? (*b*) What do you understand by social control?

11. (*a*) What seems to be the fundamental nature of a social problem as defined in this chapter? (*b*) How do social problems originate?

12. (*a*) Why are social problems difficult of solution? (*b*)

Why do they not remain solved? (*c*) Contrast different attitudes toward social problems.

APPLICATION AND INTERPRETATION

1. How is it possible to have cultural continuity amid social change? Explain.

2. When were the golden ages of Greece, Rome, Spain, and England? Why golden? Why did decadence follow?

3. Distinguish between evolutionary and revolutionary methods of social change. Illustrate from the history of England and France.

4. (*a*) Explain and illustrate readjustment to social change. (*b*) Explain and illustrate resistance to social changes.

5. (*a*) Show how social unrest may be good for society. (*b*) Show how it may be bad.

6. Why has not social progress eliminated social problems? Will they ever be eliminated? Why or why not? Is this encouraging or discouraging? Why?

SUGGESTED ACTIVITIES

I. Write a short paragraph comparing civilization to a stream or to a coral formation.

II. Write short essays on the topics:

1. "Westward the Course of Empire Takes Its Way," illustrating cultural continuity and social change.

2. "The Future Golden Age of America," "The Present Golden Age of America," or "The Past Golden Age of America."

III. List periods of great cultural change. State your reasons in each case.

1. Roman history.
2. English history.
3. American history.

IV. Make two lists, one of new words and the other of new customs, brought into England as a result of the Norman Conquest.

V. Show how China has changed from a passive into an active civilization. Illustrate. Give reasons.

VI. Prepare a talk on the following topic: "The Influence of a Great Invention on American Civilization." Explain how this invention or these inventions have influenced your own life and community.

VII. Have a committee investigate and report on some of the great problems that confront your community. Are they old or new problems? What caused them? What is being done to solve them?

COLLATERAL READINGS

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap. I, "How Social Problems Arise;" Vol. II, Chap. I, "Rise of Economic and Social Planning."

ELLIOTT, MERRILL, and WRIGHT—*Our Dynamic Society;* Chap. XXVIII, "Social Change."

LANDIS and LANDIS—*Social Living;* Unit III, "The Man-made World."

LUMLEY and BODE—*Ourselves and the World;* Chap. X, "Changing Institutions"; Chap. XI, "Toward Democracy."

MUNRO—*Current Problems in Citizenship;* Chap. I, "The Problem of Human Progress."

WALLIS and WALLIS—*Our Social World;* Chap. II, "Meaning of Culture."

WILLIAMSON and WESLEY—*Principles of Social Science;* Chap. I, "Problems and Problems"; Chap. II, "The Meaning of a Civilized Society."

ADVANCED READINGS

BEARD and BEARD—*The Rise of American Civilization.*

BOSSARD—*Social Change and Social Problems;* Chap. I, "Social Problems, Their Meaning and Social Significance"; Part I, "Changing Conceptions in the Study of Social Problems"; Part II, "The Background of Social Change."

DAVIS, BARNES, and others—*Introduction to Sociology;* Book II, Part IV, "Society and Its Cultural Heritage."

KELSEY—*Physical Basis of Society;* Chap. XIX, "The Spread of Culture."

PHELPS—*Contemporary Social Problems;* Chap. I, "Types of Social Problems"; Chap. XIX, "The Nature of Social Problems"; Chap. XX, "How Social Problems Develop."

PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Chap. I, "Introduction."

ROSS—*Principles of Sociology;* Part II, Chap. VIII, "Culture."

TOZZER—*Social Origins and Social Continuities;* Chap. I, "Basic Methods and Theories."

WISSLER—*Man and Culture;* Part I, "The Meaning of Culture"; Part II, "The Form and Content of Culture."

CHAPTER II

AMERICA'S NATURAL RESOURCES

Objectives:

(1) To show how the physical environment has influenced the growth of civilization and the development of institutions.

(2) To discover the influence of the geographical environment upon the development of the United States.

1. **Importance of Geographical Environment.** Great chemical and physical changes in nature's laboratory have prepared for the people of the United States a rich heritage in the form of our geographical environment. Physical features, such as extent of territory, quality of soil, climatic conditions, geographical position, and natural resources have played an important part in the development of nations. The geographical environment has especially influenced the progress of the American people.

2. **Our Extent of Territory.** The broad expanse of territory in the United States has provided a vast natural stage for the rapidly moving drama of the development of the American nation. Throughout our history this extensive and steadily extended territory has furnished room for a rapidly expanding population. The Alleghenies were crossed, the vast prairies were settled, and the great American desert was conquered by fearless pioneers. By pen or by sword, by treaty or by conquest, territory west of the Mississippi was annexed until the American nation became continental in size and stretched from the Atlantic to the Pacific Ocean.

The lack of sufficient territory may lead to poverty, a low plane of living, and an aggressive international policy. The United States is now free from many of the problems which confront those nations whose lands are insufficient in quantity or inadequate in quality to accommodate their peoples.

Our wide range of territory has also helped to bring about geographical division of labor. Different sections of our country have been able to concentrate their efforts upon those goods which can be produced most profitably in particular localities. Diversity of soil and climate, encouraging division of labor, has made possible a wide variety of occupations. The very presence of vast land areas tended to develop certain qualities which became characteristic of the American people.

The desire for more territory is undoubtedly one of the important causes of international ill-will and friction today.

3. Influence of the Frontier. From the days when our western boundary was the Appalachian mountain range and down through the periods when the borderland was gradually being extended to the Mississippi River, then to the Rocky Mountains, and finally to the Pacific Ocean, the frontier has served as a means of escape for those who found conditions of life intolerable. It has helped to develop such typically American qualities as optimism, the "forward look," liberalism, individualism, initiative, and freedom from the binding influences of custom and tradition.

The frontier has also helped to make our people more democratic. The frontiersman left his home in the East, threw off the restraining influences of the past, and looked to the future. On the border, life was very practical, and a man was valued for what he could do. Emphasis was placed on action, initiative, and energy.

4. Rich and Diversified Land. Quality of soil is an important factor in the progress of a nation. Unproductive soil retards the development of a people. Fertile soil, on the other hand, provides food and raw materials which encourage the growth of population and industry.

The first great civilizations were established in the valleys of the Nile and of the Tigris and Euphrates rivers, where the fertility of the soil contributed largely to the growth of these ancient peoples. Throughout history quality of soil has played a large part in man's development. Where the fertility of the soil has been of such a nature as to make it possible to produce food without too exacting toil, there the people have had enough leisure time to promote the arts and sciences and to develop a broad philosophy of life.

In our own country, richness of soil and a wide range of natural conditions have enabled us to produce a great diversity of agricultural products: wheat on the western prairies, corn in the Middle West, cotton in the Southern States, citrus fruits in Florida and California, and numerous vegetables throughout the country. Some sections of the country are more suitable for grazing than for agriculture. In those sections the people devote themselves to the raising of sheep, cattle, and other livestock.

The production of food in large quantities has promoted the growth of population. Our large population has, in turn, created a vast home market for the products of our factories and stimulated the development of mass production. Agriculture has been one of the basic forces in increasing the wealth and prosperity of our people.

5. Favorable Climatic Conditions. The United States lies in the Temperate Zone, the zone in which most of the progressive people of the world are located. The Temperate Zone with its moderately cold winters and moderately hot summers tends to promote enterprise and initiative and to stimulate creative effort. The mild temperature and rainfall have aided the production of our great quantity and variety of foodstuffs.

Extremes of climate check progress. Excessively hot regions induce idleness and the inhabitants are not inclined to make strong physical or mental effort. Where nature is lavish with her food products and the necessities of life can be obtained with little effort, there is little incentive to hard work or ingenuity. In excessively cold climates, on the other hand, the necessities of life are so difficult to obtain that man must devote most of his efforts to the struggle for survival.

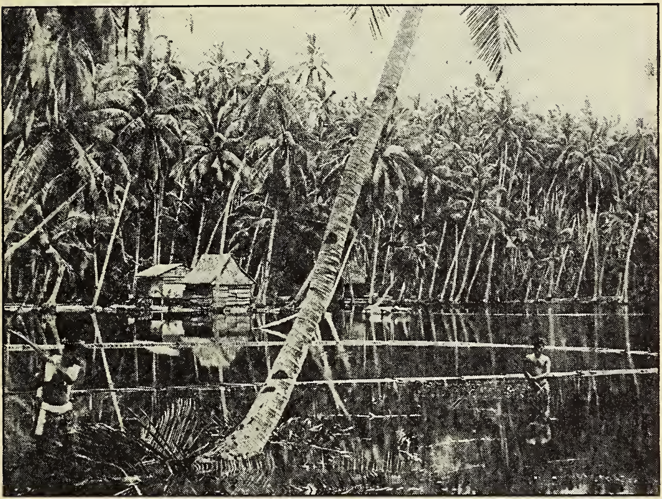


Photo from Keystone View Co.

People who live in jungle territory are usually sluggish and indolent.

It is in the Temperate Zone, where the climate is neither too hot nor too cold, that we find those conditions which promote progress. The conditions of the environment are sufficiently difficult to stimulate courage, ingenuity, and resourcefulness, but not so difficult as to stifle ambition and destroy initiative.

In those regions where there are decided seasonal changes, such as one finds in the Temperate Zone, work must be done in a given time. This has encouraged energy, promptness, and thrift. In those countries where seasonal changes are not so sharp, people are more easy-going, think less about the future, and are more inclined to put off tasks until some other time.

6. Abundant Natural Resources. The occupations, industries, and wealth of a people are determined largely by the natural resources of a country. We have noted to what extent fertility of the soil has contributed toward making the United States a great agricultural nation. Until 1860, farming was America's chief occupation; it has continued to be one of the main sources of our national wealth, power, and self-sufficiency.

In addition to a fertile soil, the United States has been particularly fortunate in the possession of a great quantity and variety of mineral resources. These resources, especially coal, iron, and oil, have been largely responsible for the remarkable growth of the United States as a great industrial nation. In addition to mineral fuels, water power has been another contributing factor in this industrialization.

The great timber resources of the country have made lumbering an important industry. Lumber has aided materially in the development of the United States by providing for the people ships, fences, railroad ties, furniture, houses, and many other things vital to the progress of the nation.

In certain sections, particularly along the Atlantic and Pacific seaboard, fishing provides a livelihood for many people.

7. Geographical Position. A country may be so located with reference to the rest of the world that its position alone may have a strong influence in determining the habits of life and the occupations of its people.

The geographical position of England has had much to do with making her a great maritime nation. In medieval times the superior commercial position of the Italian cities of Venice and Genoa was due mainly to their convenient location which enabled them to carry on trade between Europe and Asia. The Jews became the traders of ancient times largely because Palestine was so situated that they could exchange the products of Egypt on their west for those of the Asiatic countries on their east.

The geographical position of our own country was an important factor in its discovery and colonization. Its accessibility from all parts of the world has enabled it to devote a large part of its energies to world trade and commerce.

8. Natural Means of Communication and Transportation. Oceans, rivers, lakes, valleys, and mountain passes have always served as important routes of transportation and communication. They have been the great highways by means of which mankind has moved about. They have been the chief channels through which commercial and social intercourse has been carried on. It is through these natural avenues of communication that culture, knowledge, customs, and ideals have been spread. They have also served as routes for invasion, discovery, and exploration.

In the early history of our country, the Atlantic Ocean served as a highway over which the civilization of the Old World came to America. Later it served as a channel of transportation and communication for the thirteen colonies. This was especially important because in those days land transportation was not only slow and difficult but, at times, extremely dangerous also. The harbors and rivers of North America enabled the settlers to penetrate farther inland and to develop the region along the Atlantic Coastal Plain. Later the Great Lakes, the Ohio, the Mississippi, and rivers farther west aided in the westward expansion of the American Nation. These same natural waterways have served as important means of transporting raw materials and manufactured products.

River valleys then have assisted in the penetration of the interior. These natural means of communication likewise served to unite the country politically; they have also made easier the task of governing our Federal Union of forty-eight states.

9. Natural Barriers. Mountains, deserts, oceans, and even rivers may act as natural barriers. The oceans which serve us today as highways of commerce acted as barriers until the discovery of America. They still serve as a means of providing a certain amount of isolation and security against the intrusion of foreign powers upon our territory. Because of this we have been able to establish our American civilization without serious interference from the outside world.

A certain amount of isolation, therefore, is good because it enables a country to work out its own destiny unhampered by invasions of hostile peoples. The geographical position of ancient Egypt, for illustration, provided this isolation and yet permitted contact with other nations. England owes much of her progress and power to her insularity. Since the Middle Ages she has been comparatively free from invasion; yet she has been accessible enough to carry on trade and commerce with the rest of the world.

Natural barriers may so isolate a country that they check progress, and prevent the spread of new ideas and customs. The static condition of Tibet, for example, is due, in part, to the geographical isolation brought about by the mountains which surround that country.

10. Nationalism and Sectionalism. Geographical barriers not only separate countries from one another, but they may also break up a country into isolated sections. The United States has been comparatively free from this sort of isolation. One culture, one language, and one federal government characterize this country. Europe, which has about the same area as the United States, has numerous different cultures, languages, and governments.

Different sections of the United States, however, are devoted to widely different occupations: agriculture, industry and commerce, mining, stock raising, fishing, and lumbering. Each section has its own interests, its own needs, and its own habits of life. Natural barriers with their tendency to isolate would have made difficult the merging of the diversified interests of these different regions, had it not been for improvements in methods of transportation and communication made possible by the railroad and the telegraph.

It is not improbable that the different cultures or economic systems existing in the North and South before the War between the States might have remained unreconciled if, in addition to the wide diversity of interests separating the people of those two sections, there had been a mountain chain separating the North from the South.

11. Influence of Geographic Features upon Institutions. The basic social institutions of a country are influenced to a certain extent by its geographical environment.

(*a*) *Family and Position of Women.* The family has been especially influenced by the physical environment. In warm countries early marriage and large families prevail. In colder climates marriages are often later and children fewer.

In regions such as Tibet, where the soil is barren and life is hard, large populations are a drain on the scanty resources of the group. *Polyandry,* the union of one wife and several husbands, is a type of family life existing there. In certain parts of Asia and Africa, on the other hand, polygyny is practiced. *Polygyny* is the union of one husband and several wives. In those countries in which polygyny prevails, the position of women is little better than that of slaves.

Photo from Ewing Galloway

An African Sultan and His Six Wives

In the more progressive civilizations of Europe and North America *monogamy,* the union of one husband and one wife, prevails. With the growth of democratic institutions, the advancement of culture, and the spread of education, women have come to occupy a high position, not only in their own immediate families, but also in society at large. This is especially true in our own country which has witnessed a remarkable change in the economic, social, and political position of women since the Industrial Revolution.

(*b*) *Institution of Slavery.* Slavery, like polygyny, flourishes in warm, rich, agricultural regions, where basic raw materials of industry can be produced under the plantation system. The heat may induce in the inhabitants of warm climates a dislike of strenuous labor and an unwillingness to work long and hard. This situation has resulted, at times, in the enslavement of the group most powerless to resist. Thus, Negro slavery was introduced into North America by the European colonists. It persisted in the southern states where it was practical and profitable, but declined in the northern states where it was impractical and unprofitable.

(*c*) *Religious Concepts.* Even religions have been influenced by the geographical environment. The great religions of the world, which are based on a belief in one god, have come from pastoral peoples, where extensive grazing plains and the wide open spaces of the desert have given opportunity for meditation on the meaning of life and have impressed the observer with the unity and eternity of nature. On the other hand, the varied landscape of Greece was peopled by its imaginative inhabitants with numerous gods and goddesses, mythological creatures of wind and wave, of trees and tempest.

Jungle lands of the tropics seem to foster the development of religions that are more superstitious and less philosophical than the great religions of the plains and deserts.

Such generalizations, however, are dangerous, for many Christian and Caucasian settlers in the American colonies believed in "pixies" and hunted witches. Even today, one hears of individuals in primitive communities being "hexed" into troubles and "powwowed" or charmed out of their misfortunes.

(*d*) *Political Institutions.* When mountains, rivers, and other natural barriers break up a land into inaccessible regions, the people often develop a strong feeling of independence and an impatience of outside restraint and foreign control. The story of William Tell dramatizing the achievement and preservation of Swiss independence illustrates this point. A mountainous environment, such as that of Switzerland nestled in the Alps, tends to encourage a spirit of democracy, as well as one of liberty. Despotic empires find it easier to extend their sway over great plains. Witness the successive empires of Assyria, Persia, and Macedonia, reared on the Tigris-Euphrates river valley of Mesopotamia. Similarly the great steppes of Siberia facilitated the conquests of Mongol emperors and the later extension of Russian imperialism.

Climate also seems to have had an influence on government. While aristocracies and despotic monarchies have been abundant in warm climates, democracies have flourished chiefly in colder climates, particularly in the North Temperate Zone. Here again, however, this contrast in political organization may be due more to variations in cultural development than to differences in geographical environment.

Summary. Geographical features have had a powerful influence in determining the progress of nations. They have encouraged the development of certain personal qualities; they have had a part in determining a country's industries and occupations, and in shaping some of its institutions.

Geographical features have played a particularly important part in the development of the United States. The extent of territory has provided room for a growing population. The conditions of border life favored the growth of individualism, initiative, optimism, and the spirit of democracy, which we have come to consider typically American qualities. America has also been favored by a climate which has stimulated her people to great productive activity. The extensive territory of the United States, together with richness of soil, wide range of climatic conditions, and the presence of valuable natural resources, has made possible a geographical division of labor and a great number of different occupations.

Our geographical position has enabled us to maintain social and commercial contacts with the other nations of the world, and yet has kept us sufficiently isolated to develop our own culture and civilization unhampered by interference from foreign powers. Our rivers, lakes, and valleys have served as natural means of transportation and communication. They have promoted commercial intercourse between the different parts of the country, have broken down isolation, and have served to unite the nation.

Word Study: Liberalism, individualism; philosophy, mythology; dynamic, static; accessibility, insularity; polyandry, polygyny, polygamy, monogamy.

Questions on the Text

1. What is included in the geographical environment? Is it important in the development of a people? Why or why not?
2. How did extensive territory influence the development of the United States?
3. How has America's fertile soil contributed to the growth of the nation?
4. Enumerate some ways in which climatic conditions have influenced American development.
5. Has the geographical position of the United States been an advantage or a disadvantage in the nation's development? Explain your answer.
6. Have the geographical features of the United States promoted or retarded the political unity of the country?

Application and Interpretation

1. How have our natural resources contributed to the industrialization of the United States?

2. How did our inland waterways assist in the early development of the United States?

3. How might the course of United States history have been changed if a mountain range had separated the North and South?

4. What are natural barriers? How may they retard progress? promote progress?

5. Show how desire for territorial expansion has served as a cause of international friction, particularly since the World War.

Suggested Activities

I. Plan an excursion to explore the geographical features of your community.

1. Discuss in class the relation between the geographical features of the community and the methods of getting a living there.

2. Contrast the geographical features and occupations in your own community with those of some other community.

II. Prepare talks on the following subjects:

1. The effect of geographical environment upon such institutions as the family, religion, slavery, and government.

2. Some great catastrophes which show that nature can be a foe as well as a friend. Discuss some of the ways in which man has sought to protect himself against the ravages of nature.

III. Have a group collect pictures showing geographical features and life in various parts of the world. Assemble these in a scrapbook.

IV. Secure, if possible, a speaker familiar with physiographic features of your state; also travelogue movies showing life and customs of various peoples.

V. Draw cartoons illustrating the effect of geographical features upon the customs of different peoples.

VI. 1. On an outline map, indicate the location of the chief centers of the following industries: coal, iron, copper, oil, wheat, cotton, automobiles, tires, citrus fruits, lumber, tobacco, sugar, textiles, and motion pictures.

2. On the reverse side of the map, explain what geographical features, if any, have influenced the location of each industry.

Collateral Readings

Arnold—*Problems in American Life;* Chap. III, "Geographic Environment."

CHAMBERLAIN—*Geography: Physical, Economic, Regional.*
COLE and MONTGOMERY—*Sociology for Schools;* Chap. IV, "Geographical Factors in the Development of Man's Culture."
GREENAN—*American Civilization Today;* Unit II, "Problems of Our Physical Heritage—Geographic Environment."
LANDIS and LANDIS—*Social Living;* Chap. II, "Where We Live."
MUNRO—*Current Problems in Citizenship;* Chap. I, "The Problem of Human Progress."
TOWNE—*Social Problems;* Chap. I, "The Influence of Natural Conditions on Economic and Social Development."
WALLIS and WALLIS—*Our Social World;* Chap. III, "Geographical Environment."

ADVANCED READINGS

BEACH and WALKER—*American Social Problems;* Chap. I, "The Geographical Setting of Group Life."
DAVIS, BARNES, and others—*Introduction to Sociology;* Book II, Part I, "Society and Its Physical Environment."
DURAND—*American Industry and Commerce;* Chap. III, "Natural Resources."
FARRAND—*Bases of American History.*
GILLETTE and REINHARDT—*Current Social Problems;* Chaps. III and IV, "Problems of Adjustment to External Nature."
HAYES—*Sociology;* Chap. III, "Social Effects of Geographic Conditions."
KELSEY—*Physical Basis of Society;* Chap. III, "Human Geography."
LUMLEY—*Principles of Sociology;* Chap. II, "The Physical Environment."
ROSS—*Principles of Sociology;* Chap. VI, "The Geographic Environment."
SEMPLE—*American History and Its Geographic Conditions.*

CHAPTER III

FUNDAMENTAL INSTITUTIONS OF SOCIETY

Objectives:

(1) To show the nature and importance of our institutions.
(2) To examine fundamental ideals of American democracy.

A. Analysis of Our Basic Institutions

1. Fundamental Institutions of Society. The great institutions which form the basis of our society today are the family, the school, the church, the state, and the economic organization.

These institutions have come down to us from the past as part of our social heritage; they have grown out of human experiences which reach far back into the history of the human race. They arose in order to supply definite human needs; they are the commonly accepted ways of doing things, which became fixed after long usage and frequent repetition.

2. Importance of Institutions. Social institutions are important because they are the instruments which enable us to satisfy our economic, social, and political wants. When man found it necessary to have law and order, the state arose; after a long period of time it became established as a political institution. When man began to produce goods for exchange rather than for his own use, commerce and trade developed, and money and markets became important economic institutions. The school became a significant social institution when mankind recognized the necessity of educating the younger members of society.

3. Institutional Adjustment. All of our institutions have their roots in the past; and one of the great problems confronting us today is to adapt these historic and revered institutions to meet the rapidly changing conditions of our modern social order.

Each generation must re-evaluate and re-analyze its social institutions, keeping what is best and wholesome in them and purging them of what is useless. Social organization must be changed to meet new or altered social needs or to meet old social needs in a better manner. The resistance of social institutions to any change whatever results in problems that are often difficult to solve.

4. Family. The family is our oldest and most fundamental institution. It has a biological, as well as a social, basis. It grew out of an instinctive union brought together by nature for the purpose of reproducing and caring for the young. The family has exerted a stabilizing influence on society; it has served as a basis for the development of the church, the school, the state, and economic institutions. It has been a means of perpetuating the human race and of educating the young; it has served as the carrier of biologic heredity and as an informal school for citizenship.

The fundamental virtues of love, obedience, respect for law and authority, co-operation, and altruism have been fostered by family associations. The family has survived throughout the ages, and no nation or group of people as far as we know has ever existed without some kind of family life.

5. Church. Religious institutions arose in order to satisfy the deep-seated desire of mankind to render homage to a single Supreme Being or to numerous supernatural beings. There is evidence that as far back as the Stone Age, man had some form of religion and believed in a future life; so it seems probable that man has always worshiped in some form or other.

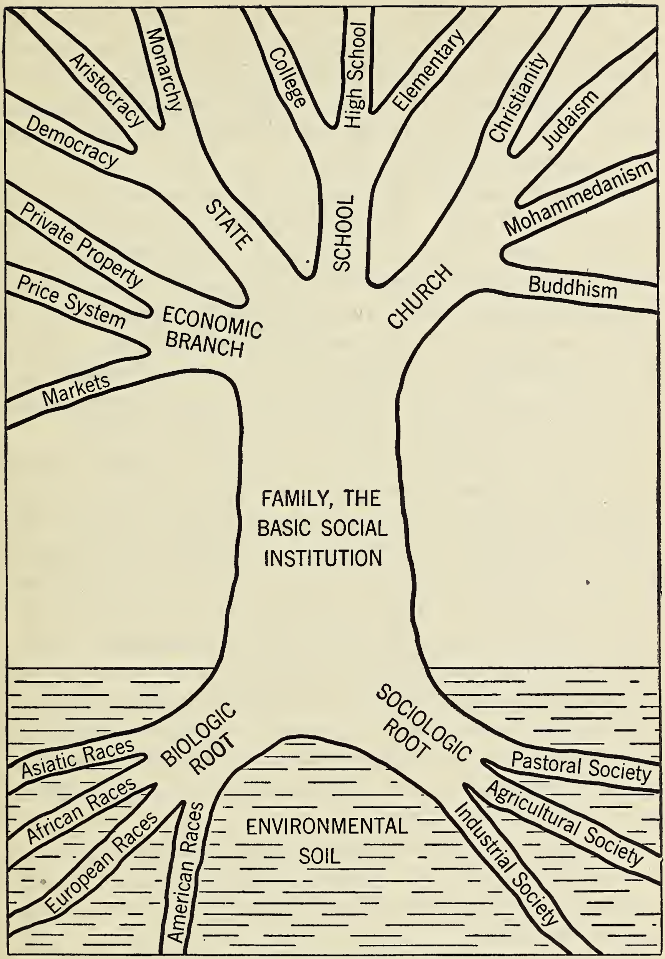
Primitive religion was essentially superstitious and self-centered. It was concerned mainly with man's relation to his gods, but it was honeycombed with magic or with devices to secure particular selfish purposes by observing detailed rituals or by wearing amulets. Moral issues likewise had a very insignificant place in most pagan religions, which also were supported and surrounded by sorcery and superstition.

The Hebrews made a distinct contribution to religion when they gave us the concept of monotheism or worship of one god and introduced into religion a higher standard of moral conduct. Later the Christian Church also accepted these two fundamental principles: the worship of one god and the observance of a high standard of moral conduct.

With the development of civilization, religion, like other institutions, became organized into separate groups, distinguished by definite creeds, rituals, and ceremonies, and by well-defined forms of church government and organization. A priestly class gradually grew up to conduct the elaborate ceremonies which could not be performed by ordinary individuals.

In spite of the fact that the fanaticism of many religious leaders and groups has caused numerous bitter disputes and bloody conflicts, religion has been a powerful factor in the development of civilization. It has exerted a wholesome moral influence; it has emphasized the spiritual values of life.

6. School. Education among primitive people was informal in character. It was carried on by word of mouth and through imitation. This informal education took place in the family and in the group life of the clan or tribe. While there were no schools, such as we have today, there is evidence that some primitive tribes attempted to initiate their young people into the mysteries and folklore of the clan or tribe.


Aristocracy
Monarchy
Democracy
STATE
College
High School
Elementary
SCHOOL
Christianity
Judaism
Mohammedanism
Buddhism
CHURCH
Private Property
Price System
Markets
ECONOMIC BRANCH
FAMILY, THE BASIC SOCIAL INSTITUTION
BIOLOGIC ROOT
Asiatic Races
African Races
European Races
American Races
ENVIRONMENTAL SOIL
SOCIOLOGIC ROOT
Pastoral Society
Agricultural Society
Industrial Society

Social Institutions

With the advancement of civilization, man attempted more consciously and deliberately to educate the younger members of society; educational practices became elaborate and formal in character. The Greeks and Romans made distinct advances by the establishment of schools for the promotion of learning.

Education has become increasingly important with the rise of democracies. When monarchs ruled by the theory of divine right, there was little or no opportunity for an individual to give expression to his political ideals and ideas. The individual was relatively unimportant and public opinion was correspondingly insignificant. With the establishment of democracy in America and the increased importance of the individual, a new meaning and a greater significance was given to public education.

Through education society prepares its young members more efficiently to deal with life situations. It is through education that the social heritage is passed on from generation to generation. Education stimulates thought, science, discovery, and invention. It furthers human progress because it enables each succeeding generation to build upon the achievements of the past. Modern education is especially conceived as an agent which prepares the individual for citizenship and which enables him to cope more efficiently with the complex situations of our changing social order. It also promotes individual growth to higher levels of thought and to greater enjoyment of beautiful things.

7. State. The state is one of our oldest institutions; it has evolved from the simple family, clan, and tribal groups of primitive times to the vast complicated organization of today.

(*a*) *Necessity.* Far back in primitive times man found that some agency was necessary to regulate group affairs, if peace, order, and the protection of life and property were to be secured. He learned that co-operation was necessary if the interests of the group as a whole were to be promoted. He discovered also that co-operation requires recognition of common ideals, obedience to authority, and sacrifice of personal desires to the interests of the group. Thus at an early stage of his development man became accustomed to some form of political authority or agency of social control which enforced obedience to the customs of the group.

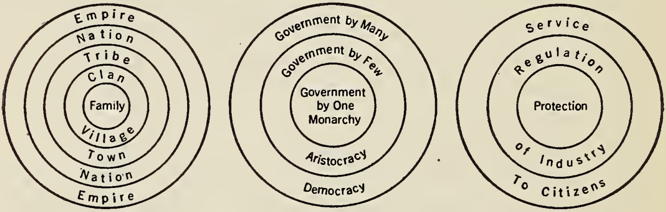
(*b*) *Origin in Family.* The primitive family was the basis for the development of the state. It is here that we find the rudiments of government. In the primitive family, man learned obedience, respect for authority, co-operation, loyalty, and the practice of self-restraint. It was necessary for him to learn these civic virtues before more elaborate and complicated structures of government could arise.

(*c*) *Clan and Tribe.* Several families united to form a *clan;* several clans united to form a *tribe.* The tribes then tended to group themselves into a large unit called a *confederation.* The confederation expanded into a *state* under a king or an emperor.

(*d*) *City-state and Empire.* The evolution of the state from the patriarchal family through the tribe can be read in the Old Testament in the history of the Hebrews. Although the Greeks developed a cultural unity through a common language and civilization, they did not develop a political unity. The patriotic Greek thought of, and fought for, his noble city-state, such as Athens, Sparta, Corinth, or Thebes. The Romans, however, had political genius for organization, as well as military genius for conquest. Roman imperialism was spread, slowly but surely, from the seven hills of Rome throughout the Tiber valley, then throughout the peninsula of Italy, and finally throughout the entire Mediterranean area.

(*e*) *Feudalism and Nationalism.* During the Middle Ages, feudalism developed in Europe. This was a system in which control was not given to some powerful centralized authority, but was divided up among the stronger nobles, each of whom regulated the affairs of his own dukedom. With the decline of feudalism, strong national states developed in Europe under the rule of powerful monarchs. These were the forerunners of our modern national governments.

(*f*) *Growth of Democratic Ideals.* One of the outstanding developments of modern times, in addition to the rise of nationalism, has been the growth of the idea of democracy. Governments came to be regarded as existing not to serve the selfish interests of privileged individuals and groups, but rather to promote the greatest good of the greatest number. Constitutionalism and limited monarchy gradually took the place of divine right of kingship and absolute monarchy. The French and American Revolutions established republics in both the Old and the New World.


Empire
Nation
Tribe
Clan
Family
Village
Town
Nation
Empire
Government by Many
Government by Few
Government by One Monarchy
Aristocracy
Democracy
Service
Regulation
Protection
Of Industry
To Citizens

Evolution of the State - Growth in Size of Unit in Both Population and Territory

Evolution of Government - Political - Expansion of Center of Power

Evolution of Government, Social - Expanding Scope of Functions

EVOLUTION OF STATE AND EXPANSION OF GOVERNMENT

(*g*) *State and Government.* Since the terms *state* and *government* are sometimes confused, it may be well for us at this point to differentiate between them. A state may be defined as an independent group of people living in a certain area, under a definite form of government, whose affairs are regulated by means of laws and customs accepted by the group.

The essential functions of the state are to afford protection to, and to secure efficient regulation of, all its members so as to promote their common interests. The government is the machinery through which the people in a state secure its protection and regulation.

The government is not the state itself, but an instrumentality of the state. It consists of the great body of laws, the legislative, executive, and judicial departments, and all the other official machinery which exists to carry out the will of the sovereign power in a state.

(*h*) *Growth of Governmental Functions.* In recent years, the scope of governmental activities of the state has increased tremendously. Government today not only protects life and property, but has also extended its functions into almost every phase of human activity. It regulates transportation, promotes education, provides for the handicapped members of society, seeks to prevent the spread of epidemics, carries on scientific investigations in the interests of industry and agriculture, regulates business, and, in fact, closely touches the lives of all its citizens.

In looking backward over the expanding functions of government and the ever-rising concepts of the duty of the state, we can glimpse these general stages: (1) protection for its citizens from outside invasion; (2) regulation of the activities of some citizens for the benefit of all citizens; and (3) service to its citizens, particularly the unfortunate.

8. Economic Institutions. Since primitive times mankind has been engaged in the struggle to get a living. Early man was occupied mainly with the grim necessity of obtaining food, clothing, and shelter. Today mankind is concerned with the satisfaction of a multitude of wants associated not merely with the bare necessities of life, but also with comforts and luxuries. In carrying on this great economic activity, man has found that certain methods and practices have worked successfully. These successful methods and practices were repeated and imitated; they became our *economic institutions.*

Among our important economic institutions are private property, individual enterprise, freedom of contract, profit motive, wage system, money, credit, banking, marketing, transportation, corporations, and labor organizations. Some of our economic institutions have their origin in the early history of the human race; others are an outgrowth of the remarkable economic changes that have taken place in the modern world.

(*a*) *Capitalistic System.* Our modern economic order is known as the capitalistic system, because it is distinguished not only by those economic institutions just mentioned but also by the extensive use of capital goods, such as machinery, buildings, and other forms of equipment which man has constructed and which he uses to produce useful things for the satisfaction of his wants. The capitalistic system prevails for the most part throughout the civilized world.

(*b*) *Private Property.* Private property is one of the most important institutions of modern economic life. But in primitive times there was little private property. Much wealth was held in common; it belonged to the group. As man progressed, however, the idea developed that an individual has the right to own wealth and that this property right should be protected by the group.

We may trace the origin of private-property rights in land to the agricultural period of man's economic development when he adopted a more settled way of living and remained permanently in one place. After an individual had occupied a piece of land for a long period of time, his ownership came to be taken for granted by the group.

In spite of the fact that the state safeguards the property rights of its citizens, an individual may not always do just as he pleases even with his own wealth. If it becomes a public nuisance or endangers the health, safety, welfare, or property rights of other individuals, the government may restrain the owner in the unsocial or objectionable use of his own possessions. The government may, when such is the case, confiscate or even destroy diseased cattle, impure food, gambling devices, counterfeit money, or unfair weights and measures.

From time to time the government has taken over land to serve as a right of way for highways, railways, and for other purposes. The right of the state to take this action is called *eminent domain.* The individual is paid for his loss in this case.

The right of private property stimulates ambition and induces thrift, energy, hard work, and invention. On the other hand, private-property rights must be subjected to certain social controls. Human rights, such as that to the pursuit of happiness, must not be sacrificed to property rights as they were under slavery. The greatest good of the greatest number is the final factor in determining what is best.

(*c*) *Individual Enterprise.* Under our free economic system, an individual is permitted to engage in almost any occupation, and to carry on his business or professional activities in accordance with his own desires and decisions. If, however, in the conduct of his occupation, one individual injures another or society in general, then the state may, and should, apply regulatory measures.

The state must regulate business in the interests of the public, even though it is reluctant to engage in business. In the exercise of this prerogative, taxes are imposed and licenses may be required. In general, however, it may be said that the individual is allowed freedom of enterprise with a minimum of interference from government. This is the basic principle of capitalism, which is essentially a system of economic freedom and individual enterprise. In political discussion, it has been referred to as "rugged individualism" or "the American System."

(*d*) *Freedom of Contract.* Modern freedom of contract has brought about an entirely different state of affairs from that denoted by medieval *status,* under which an individual's station in life was fixed by birth. This transition was an important step in our economic development, for it substituted employer and employee relationships for those of lord and serf or master and servant.

The state preserves freedom of contract, and also enforces fulfillment of contracts legally entered into by individuals or groups. American courts have ruled that the property right, guaranteed by the Federal Constitution and by the constitutions of many individual states, implies or includes the right of freedom of contract. In the complex society of today, thousands of contracts are made daily. We can easily see how important it is to live up to these lawful agreements. Otherwise selfish and unfair practices would result and confusion would prevail.

B. POLITICAL IDEALS OF AMERICAN DEMOCRACY

9. American Tolerance. America was settled by people of different nationalities and religions; the United States has been the melting pot of various races. Our social heritage, like our population, is composite. Consequently, there has grown up a toleration of divergent customs and a sympathy for those whose mannerisms and attitudes differ from our own.

Democracy makes for toleration and autocracy for intolerance. Education develops sympathy for those of other points of view; to know is to understand and to understand is to sympathize. On the other hand, ignorance breeds narrowness, prejudice, and intolerance.

10. Why Our Forefathers Valued Liberty. Our American democracy was built upon the political idealism of the founders of our country. Their basic ideal was freedom. It is not strange that this was so. Many of the men who came to colonize our land had left their native shores because they had found intolerable the conditions which existed there. They had been subjected to political tyranny, religious oppression, and economic injustices. They wanted to establish themselves where they could enjoy not only political liberty and religious freedom, but also equality of opportunity in a social order which would give to each individual a chance to develop an improved condition of life. Their fundamental political beliefs found expression in our democratic form of government and in our basic documents, the Declaration of Independence and the Constitution of the United States.

11. Ideals Expressed in Two Famous Documents.

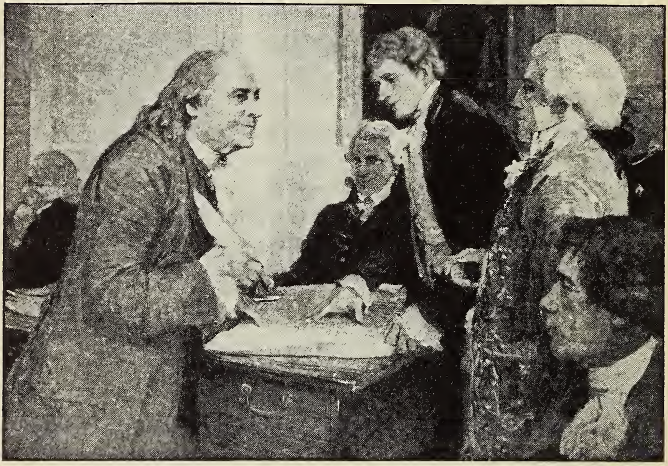
(*a*) *Declaration of Independence.* In the document which proclaimed their independence of Great Britain, the colonists declared:

"We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed."

(*b*) *Constitution of the United States.* When the opportunity came, the founders of the country established a Constitution which guaranteed to the citizens of the United States protection of life, liberty, and property. The preamble to the Constitution, which is our basic law, states in broad terms the purpose for which it was established.

"We the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.''

So strong was their feeling for individual liberty and justice for all, that the fathers of our country set down as amendments the specific rights which the Constitution guaranteed to safeguard. Because the first ten amendments to the Constitution deal with the rights of citizens, they have been called the Bill of Rights. They mark the greatest advance ever made in government ''of the people, by the people, and for the people.''



Painting by Stanley M. Arthurs

Benjamin Franklin Signing the Declaration of Independence

Our civilization today is complex and rapidly changing, with the functions of government increasing accordingly. As a result of this, doubts and confusion have arisen in the minds of many people as to the limits imposed by the Constitution upon the functions of government. In considering this point, it is well to think back to the ideals of the men who framed the Constitution, lest in insisting upon a close adherence to the letter of the law, we lose sight of the broad spirit underlying it.

Summary. Our basic institutions are the family, the church, the school, the state, and the economic organization by which man earns a living. They have come down to us from the past as a part of our social heritage, and represent ways of doing things which man has accepted because they have enabled him to carry on his activities more efficiently.

All of our institutions arose in response to definite needs. The family, our oldest institution, has served not only as a means of perpetuating the human race, but also as a basis for the development of the church, the school, government, and economic organization. The church supplies the spiritual and moral needs of human society and has played an important part in the development of civilization. The school, a vital institution in a democracy, not only assists in the transmission of the social heritage, but also prepares for efficient citizenship.

The state arose in response to the need for some agency which would maintain law and order, and which could protect the lives and property of individuals. With the development of society, the functions of the state have increased.

Economic institutions enable mankind more efficiently to carry on the work of getting a living. Some of the important economic institutions of capitalism are private property, freedom of contract, individual enterprise, competition, profit motive, price mechanism, corporations, money, credit, banks, markets, and agencies of transportation and communication.

Our American democracy was established upon the ideals of political liberty, religious freedom, and equality of opportunity. Two famous documents which embody these ideals of the founders of our country are the Declaration of Independence and the Federal Constitution.

Word Study: Institution, constitution; state, government; feudalism, nationalism, imperialism; federation, confederation; folkways, mores; democracy, autocracy; altruism, paternalism; conformist, nonconformist; co-operation, competition; capitalism, industrialism; monotheism, polytheism; amulet, symbol, ritual; genius, genesis; inalienable; prerogative.

QUESTIONS ON THE TEXT

1. What are institutions? How did they arise? Why are they important?
2. What services are rendered by the family?
3. What institution arose to supply man's spiritual and moral needs?
4. Why is education important? Contrast the nature of primitive education with modern education.
5. What needs of human society led to the rise of the state? What primitive institution was the basis of the state? What was the confederation?
6. What institutions have arisen out of man's activities in getting a living?
7. Why is our modern economic order frequently called the *capitalistic system?* What economic institutions does it involve?
8. Why is private property important? How can it be abused? Why should it be socially regulated? How can that be done?
9. What is individual enterprise?
10. What is monotheism?

APPLICATION AND INTERPRETATION

1. Is the school more important in a democracy or in an autocracy? Why?
2. Distinguish between state and government. Distinguish among imperialism, nationalism, and feudalism.
3. Is there any evidence in your community to show that you live in a capitalistic system? Discuss.
4. What fundamental political ideals are contained in the Declaration of Independence?

5. What fundamental political ideals are contained in the preamble to the Constitution?

6. What constitutional guarantees seem especially important to you? Why?

SUGGESTED ACTIVITIES

I. Prepare talks on the following subjects:

1. Reasons for the interest of our forefathers in political and religious liberty and in equality of opportunity.

2. A representative democracy is the best instrument for realizing the ideals of political and religious liberty.

3. The work of the organizations in any community which safeguard the lives and property of individuals.

II. Group project:

1. Investigate your community. Are there any conditions which prevent it from being an ideal community? Make recommendations for improving conditions.

2. Investigate yourself and your friends. What are your pet superstitions and those of your friends? What seems to be most common? Have you any explanation to suggest?

COLLATERAL READINGS

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. II, "The Growth of Institutions."

LUMLEY and BODE—*Ourselves and the World;* Chap. VII, "What Is an Institution?"; Chap. VIII, "How Institutions Liberate"; Chap. IX, "How Institutions Bind"; Chap. X, "Changing Institutions."

QUINN—*The Social World and Its Institutions;* Chap. XVII, "Introduction to the Study of Institutions."

TUFTS—*The Real Business of Living;* Part I, "Beginnings of Cooperation, Order, Liberty."

WALLIS and WALLIS—*Our Social World;* Chap. VII, "Custom"; Chap. VIII, "Tradition and History."

WILLIAMSON and WESLEY—*Principles of Social Science;* Chap. II, Section B, "Nature and Development of Social Institutions."

YOUNG and WRIGHT—*Unified American Government;* Chap. II, "The Development of Social Institutions."

ADVANCED READINGS

ADAMS—*The Epic of America.*

DAVIS, BARNES, and others—*Introduction to Sociology;* Book I, Chap. III, "Primitive Society and Institutions."

FAIRCHILD—*General Sociology;* Chap. XII, "Institutions. The Family"; Chap. XIII, "Institutions. The State, Religion."

KELSEY—*The Physical Basis of Society;* Chap. XVI, "Social Institutions."

LUMLEY—*Principles of Sociology;* Chap. XIII, "The Industrial Organization"; Chap. XIV, "Marriage and the Family"; Chap. XV, "The Religious Organization"; Chap. XVI, "The Educational Organization"; Chap. XVII, "The Recreational Organization"; Chap. XVIII, "The State Organization."

PATTERSON—*Social Aspects of Industry;* Chap. I, "Modern Industrialism and Our Changing Economic Life"; Chap. II, "The Background in Our Social and Political Institutions."

ROSS—*Principles of Sociology;* Chap. LIII, "Institutions."

CHAPTER IV

WE THE PEOPLE OF THE UNITED STATES

Objectives:

(1) To point out the significance of population changes in the United States.

(2) To show the nature, causes, and effects of American immigration.

A. Population and Progress

1. Significance of Population. A study of the elements that make up the population of a country is of vital importance, since it is the people themselves who shape the destiny of a nation. They carry on the economic activity and wrestle with the social problems which grow out of that activity. The significance of population in promoting or retarding the progress of a nation is influenced by the two factors: quality of population and quantity of population.

2. Importance of Quality of Population. The quality of its population plays an important part in determining the progress of a nation. The United States has been blessed with a population of a generally high order. Among the qualities that have distinguished the American people are initiative, energy, courage, optimism, self-reliance, intelligence, and resourcefulness.

The composite character of our population is due to the numerous different elements which have contributed to the making of the American people. Our civilization therefore is also a rich and colorful one; our culture is as composite as our people.

A superior quality of population, however, is not alone sufficient to promote national progress. When a nation lacks territory and resources, progress may lag, despite the quality of its population. On the other hand, there are countries possessed of rich resources which remain in a relatively static condition because of the primitive character of their peoples.

Fortunately, in the United States nature has provided an ideal combination of elements. She has not only provided a large population of good quality, but she has also furnished, as a theater of operations for that population, extensive and fertile territory together with rich and varied resources.

3. Influence of Quantity of Population. The size of population is also important in promoting or retarding progress. In the United States, our large and widely distributed population has provided an extensive market for the products of our farms and factories. It is this vast home market which has stimulated the growth of American industry and made mass production possible.

A large population may be injurious to a nation if there is a lack of territory to accommodate it or if the productive capacity of the country is inadequate to provide sufficient food and essential raw materials of industry. In order to offset the disadvantage of excess population, some of the nations of the world have been tempted to seek outlets beyond their own borders. In encroaching upon the territories of other nations, they have brought about international complications and friction.

B. INCREASE OF POPULATION

4. Increase in World Population. Rapid growth of population has been one of the outstanding developments of modern times. This has been true not only of our own country but of the entire world. This enormous increase in numbers has been all the more remarkable because of the fact that the population of the world had remained in a relatively static condition throughout the Middle Ages. The stationary population of the medieval period may be ascribed to the insanitary living conditions which prevailed, the lack of medical knowledge, and the prevalence of epidemics, famines, and wars. The supply of food was barely sufficient to meet the needs of the existing population. While the birth rate of the medieval period was relatively high, the death rate was also high.

Growth of population in the modern world may be observed from the following figures. In 1750, the population of the world was estimated to be about 660 millions; by 1930 it had tripled and was about two billions. From 1800 to 1930, despite the ravages of horrible wars, the population of Great Britain increased from about 25 millions to almost 46 millions, that of France from about 29 millions to almost 42 millions, and that of Germany from about 23 millions to almost 66 millions.

5. Increase of Population in the United States. The greatest advance in population was made by our own country. In 1790 the people of the United States numbered 3,929,214. In 1930 the figure had reached 122,775,046. An examination of the census figures from 1790 to 1930 will indicate the rapidity with which this increase in population has proceeded. On July 1, 1938 the population of the United States was estimated to be 130,215,000.

POPULATION OF THE UNITED STATES BY DECADES

1790	3,929,214	1870	38,558,371
1800	5,308,483	1880	50,155,783
1810	7,239,881	1890	62,947,714
1820	9,638,453	1900	75,994,575
1830	12,866,020	1910	91,972,266
1840	17,069,453	1920	105,710,620
1850	23,191,876	1930	122,775,046
1860	31,443,321	est. 1940	est. 132,630,000

Est. = estimated.

RATE OF INCREASE OF THE POPULATION OF THE UNITED STATES BY DECADES

DECADE OF	PERCENTAGE INCREASE	DECADE OF	PERCENTAGE INCREASE
1790–1800	30	1860–1870	23
1800–1810	37	1870–1880	30
1810–1820	33	1880–1890	25
1820–1830	34	1890–1900	21
1830–1840	33	1900–1910	21
1840–1850	36	1910–1920	15
1850–1860	35	1920–1930	16

Various estimates have been made regarding the future trend of our population. The above figures indicate that while the population is still increasing, the rate of increase is declining. Before 1860 the population increased by over 30 per cent per decade, thereafter it increased by over 20 per cent per decade. Between 1910 and 1920, the population increased by only 15 per cent and between 1920 and 1930 by only 16 per cent. These last two rates of population increase per decade were less than half those prevailing a century earlier.

6. Implications of the Recently Decreased Rate of Growth. The recent decrease in the rate of population growth presents a somewhat disturbing picture to those who have come to look for an ever-increasing market for their products. Unless the standard of living and the purchasing power of the people of the United States can be raised sufficiently to offset the expected decline in population growth, curtailed production will result.

On the other hand, it is claimed that for each nation there is a level at which the population may well remain relatively static. At this level the territory and the natural resources of the country can maintain the population at a comfortable standard of living. This level has been called the optimum population. What the optimum or best population may be for the United States remains a subject upon which there is a wide division of opinion.

It has been said that some of the European countries have exceeded their optimum populations.

7. Natural Increase of Population. Disregarding the influence of emigration and immigration, the population of a country increases or decreases in accordance with the relation between the birth rate and the death rate. In order to insure an increase in population the birth rate must be higher than the death rate. The increase in modern population has been due not to an increase in the birth rate but to a decrease in the death rate. The birth rate of modern times has actually declined. The death rate has declined even more markedly.

8. Birth Rate. (*a*) *Tendency to Decline.* The decrease in the birth rate, not only of the United States, but also of other nations, may be seen from the following table.

Birth Rate per Thousand of Population[1]

COUNTRY	1878–82	1888–92	1898–1902	1908–12	1918–22	1928–32
England and Wales	34.4	30.9	28.8	25.2	20.9	16.1
Germany	38.0	36.3	35.7	30.0	21.7	17.0
France	24.9	22.6	21.7	19.4	17.3	17.7
Italy	36.7	37.0	33.3	32.7	26.4	25.5
Sweden	29.6	27.9	26.8	24.7	21.0	15.2
United States					23.4	18.6

[1] Cf. Thompson's *Population Problems.*

The birth rates of several important nations of western Europe fell by one half during the past half century. In 1937 the birth rate in the United States was 17.0; the birth rate as estimated for 1938 was 17.8. Observers have called attention to the fact that the most recent figures seem to indicate that the decline in the birth rate in the United States has been checked, at least for the time being.

(*b*) *Difference in Rates.* Studies made in the New England States some years ago showed that the birth rate of the foreign-born was much higher than that of the native-white population. It was also observed that there was not a similarly great difference between the death rates of the two groups. Considerable alarm therefore was expressed over the decline of the old native white stock. It now appears, however, that there is less cause for concern. In the past two decades the rate of increase of the native white population has been slightly higher than that of the total population.

(*c*) *Reasons for Declining and Differing Birth Rates.* In accounting for the decline in the birth rate the economic factor is perhaps the most important one. As the standard of living has increased, families have tended to decrease in size. The prevailing wages have been inadequate to provide for large families those things which are considered necessities according to present-day standards. Another influence in the declining birth rate has been the change from an agricultural to an urban civilization. In an agricultural economy large families had an economic value. With substantial numbers of our people moving away from agricultural areas, however, and with farm machinery displacing human labor, the economic value of children as helpers on the farm has been reduced. Records have also indicated that the native white birth rate has tended to decrease as the flood of immigrants increased.

Population changes in Europe can also be traced in large measure to economic conditions. Nations that are highly industrialized, such as England, France, Germany and Sweden, have relatively low birth rates, ranging roughly from 15 to 18 per thousand of population. Italy is one of the few industrial nations of Europe which still has a relatively high birth rate. Agricultural countries, including Poland, Rumania, Bulgaria and Russia, on the contrary, have high birth rates, varying from approximately 32 to 45 per thousand.

High birth rates are often offset by correspondingly high death rates, due, in large part, to low planes of living.

Nevertheless, the militaristic ambitions of some European leaders have prompted them to encourage the growth of population. They have dreamed of colonial expansion as an outlet for the surplus population within their own borders.

9. Death Rate. (*a*) *Declining Tendency.* Even in the short period between 1928 and 1935, marred by years of depression, the death rate in the United States decreased from 12.1 to 10.9 per thousand of the population. In 1937, however, it advanced to 11.2.

While figures covering a longer period of time show more strikingly the reduction in the death rate, the above figures indicate the generally downward trend.

Like the birth rate, the death rate varies with different countries. The declining death rate has been a fortunate circumstance, and a mark of a progressive civilization. It stands in direct contrast to the high death rate of the ancient and medieval world.

(*b*) *Reasons for Decrease.* The decline in the death rate has been due, in large measure, to the progress of modern medicine and sanitation, which have substantially reduced the toll once taken by contagious diseases, infant deaths, and other ills. Modern inventions have also contributed to the lowered death rate. Despite the tension of modern life and the deplorable number of accidents, the invention of machinery and mechanical equipment of various sorts has done much to make life easier for the great masses of the population.

The decreased death rate is due more to the saving of lives, particularly the lives of babies and young people, than to the prolonging of lives beyond middle age. The life span has not been extended far beyond its former limits, but more people are living to their natural limits. Deaths from epidemics or diseases acquired early in life are fewer, but deaths from organic weaknesses in later life are greater.

10. Influence of Immigration. In addition to the increase in population which has resulted from an excess of births over deaths, the large numbers of immigrants coming into the United States in the nineteenth and twentieth centuries have also contributed to the growth of our population.

The influence of immigration, however, upon the growth of population has been disputed. There are some who maintain that our population would be nearly the same in numbers today, even if we had not experienced the rush of immigrants to our shores. It is claimed that the growth of the native white population would have been maintained at a higher rate if there had been no waves of immigration. Advocates of this theory point out that the population of native whites in the South, where few immigrants penetrated, increased at about the same rate as

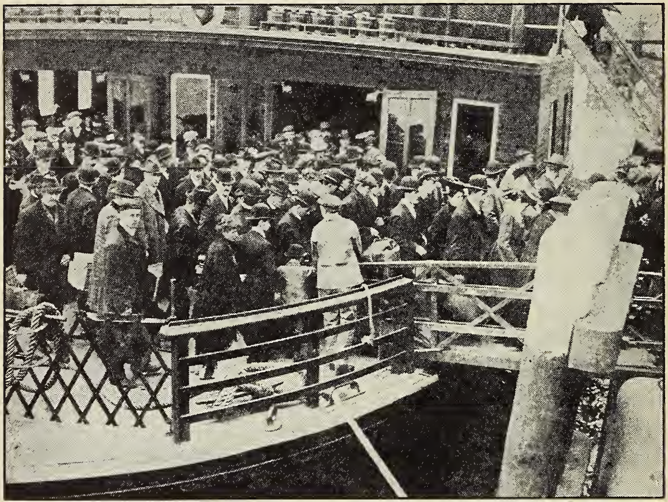


Photo by Brown Brothers

IMMIGRANTS ARRIVING IN NEW YORK

the entire population. They claim that the influx of immigration in the North kept down wages in the native American group therein and restricted natural growth of population. Marriage was postponed and the size of families was restricted by the native white group in order to maintain or advance American standards of living.

11. Theory of Malthus. Attempts have been made at different times to explain the growth of population in accordance with certain principles or natural tendencies. The most important of these theories of population was that contributed by Thomas Malthus, an English economist, toward the end of the eighteenth century. Its chief value lies in helping us to understand the relationship between food supply and population.

Much disturbed by the wretched conditions prevailing in England among the poorer classes, Malthus attempted to discover a reason for their misery. After much thought he felt that he had found a relationship between population and food supply which accounted for the poverty existing in the world. Malthus believed that the population increased more rapidly than the food supply. Therefore, in his opinion, the capacity of the world to produce food was inadequate to offset the ever-increasing pressure of the population upon the food supply.

Malthus called attention to certain checks which, he believed, relieved this pressure of population upon food. He classified these as positive and negative. Positive checks were those factors which increased the death rate, such as war, pestilence, and famine. The negative checks were those which tended to decrease the birth rate, such as the postponement of marriage.

At the time Malthus was proposing his theory, there was in progress a great industrial revolution which completely changed former methods of production. The invention of machinery made possible the production of goods in enormous quantities. The discovery of new lands, fertile and sparsely peopled, opened vast food-producing areas and gave temporary relief through emigration to the congested populations of Europe. These developments paved the way for supplanting the old "economy of scarcity" with what has been called the new "economy of abundance."

C. Composition of Our Population

12. Age. The 1930 census revealed the significant fact that there has been an increase in the proportion of older people in our population. In 1880, only 16.0 per cent of the population was over 45 years of age; in 1920, that percentage had increased to 20.8; and in 1930, it was 22.9. On the other hand, the proportion of those below five years of age had decreased. In 1880, 13.8 per cent of the population were under five years; in 1920, the percentage was 10.9; and in 1930, it had been reduced to 9.3. The 1930 census showed the median age to be 26.4 years, which is an increase of almost ten years over the median age of 16.7 years in 1820. The life expectancy of a male at birth in 1790 was approximately 34 years, and for a female, 36 years. By 1930, this had been increased to a life expectancy of 59 years for a male and 62 years for a female.

The trend toward an older population has some important implications. With a larger number of older people, the question of old-age insurance becomes increasingly important. It is all the more significant when we realize that the policy of some of our industries is to discard workers when they reach middle age. The new trend in population will focus attention upon adult education and training in cultural pursuits in preparation for a comparatively long period of leisure.

An older population is apt to be a more conservative population. This may manifest itself in a tendency to make change slowly. It may result in a loss of some of the impetuosity that characterized the earlier development of the American people. Finally, the tastes and wants of an older population will differ from those of a younger population; this fact may have some influence upon productive enterprises of various kinds.

13. **Sex.** The population of the United States is composed of slightly more males than females. The 1930 census showed the ratio for the country as a whole to be 102 to 100. The ratio varies with different parts of the country. The disproportion between the sexes is greater in some newly settled areas of the West than in many older communities of the East. Among pioneers, immigrants, and migratory workers, men are more numerous than women. One of the social consequences resulting from any great numerical inequality between the sexes is that a substantial portion of the population is deprived of family life. An economic result is that the men may be subjected to competition by women workers in certain occupations.

14. **Size of the Family.** In 1880, the average family in the United States contained five or six members (5.6); in 1930, the number had declined to four members (4.1). This reduction in the size of the American family is due in large measure to economic causes. As the standard of living has increased, the cost of living also has increased. Large families have become a drain on the family finances. Some parents have preferred to limit the size of their families to the number of children for whom they can adequately provide.

Professional people, because of the long years of preparation required for their work, have shown a tendency to postpone marriage until the late twenties or even until the thirties. Later marriages usually mean fewer children. During the last decade or two, more married women have been gainfully employed than ever before, and this also has had an influence on the decrease in the size of the family. In all countries and ages, it has been characteristic of some groups, often those best equipped economically to provide for large families, to produce fewer children than those groups in a less fortunate economic position.

15. Racial Groups. It is perhaps safe to say that our population is one of the most heterogeneous in the world, made up as it is of representatives of practically every race and nationality.

In 1930, the different racial groups in our population were apportioned as follows:

RACIAL GROUPS IN THE UNITED STATES [1]

Caucasians	108,864,207
Negroes	11,891,143
Mexicans	1,422,533
Indians	332,397
Japanese	138,834
Chinese	74,954
Other racial groups (including Filipinos, Hindus, Koreans)	50,978

[1] U. S. Census Report for 1930.

In 1930, the total population of the United States was 122,775,046. Of this number the white population was 108,864,207. The native born numbered 95,497,800 or 87.7 per cent of the white population; the foreign born numbered 13,366,407 or 12.3 per cent.

D. Territorial Distribution of Population

16. Distribution of World Population. The population of the world today is estimated to be nearly two billions. This vast population is distributed as follows:

DISTRIBUTION OF WORLD POPULATION [1]

Asia	950,000,000
Europe	550,000,000
Africa	150,000,000
Australia	7,000,000
North and South America	230,000,000

[1] *World Almanac.*

From these figures it appears that more than one fourth of the world's population is found in Europe and almost one half in Asia. The most densely populated countries in Europe are England, Belgium, Germany, and Italy. Among the least densely populated are Russia and the Scandinavian countries.

17. Distribution of Population in the United States. Although the population of the United States is large and has increased more rapidly than that of most other countries, nevertheless, the density of population here is still less than that of many countries of Europe and Asia. In 1930, the number of persons per square mile in the United States was 41.

Some sections of our country are more thickly settled than others. Rhode Island, for example, has a density of 644.3; New Jersey, 537.8; and Massachusetts, 528.6 inhabitants per square mile. Some of the least densely populated states are Nevada, with 0.8 persons to the square mile; Wyoming, with 2.3; and New Mexico, with 3.5. It is apparent therefore that our population is not evenly distributed. Some eastern communities devoted to commerce and industry are as densely populated as European countries, whereas many western areas devoted to farming and grazing are very sparsely peopled.

The center of population in the United States has been moving westward as the country has expanded. Today the center, or pivotal point, of our population is located in Stockton Township, Greene County, Indiana.

E. IMPROVING THE QUALITY OF THE POPULATION

18. Improving Health and Heredity. With trends indicating a stationary population in the not too distant future, greater attention is being paid today to improving the quality of this population. Efforts are being made to improve the health of our people by preventing and curing disease, by providing health, education, and clinical facilities, and by furnishing opportunities for recreation and recuperation. Health officials are attempting to eliminate breeding places of disease by abolishing the slums in our large cities and by promoting better housing facilities.

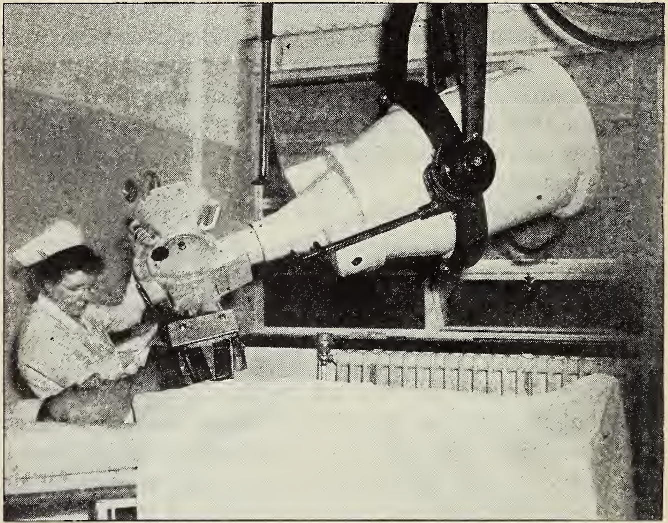


Photo by Michael Caputo from Soibelman Syndicate

New X-Ray Therapy Machine

In all large cities great progress is being made in the prevention and cure of disease.

Both here and abroad attention is being directed not only to creating environments that will make for better human beings, but also to improving the mental and physical stock of the human race. Through the control of heredity it is hoped that the most serious mental and physical weaknesses of our people may be eliminated from the society of the future. By confining degenerates, feeble-minded and criminal-minded individuals in proper institutions, it would be possible to prevent the reproduction of these vicious elements in our society; our future population would thus be purified of some of its worst strains.

19. Reducing Illiteracy. Although the extent of illiteracy in the United States is greater than that in some of the more progressive countries of Europe, there is encouragement in the knowledge that substantial progress is being made in its reduction. Compulsory education is steadily decreasing illiteracy throughout the United States. According to the census returns of 1930, 4.3 per cent of the total population over ten years of age was illiterate—unable to write in any language. Illiteracy, however, is rapidly declining with the extension of educational opportunities.

F. Nature and Causes of American Immigration

20. Characteristics of American Immigration. The immigration of people from the Old World to the New has been one of the most interesting population movements in the history of mankind. It has been important, not only because of the effects of immigrants upon American civilization, but also because of the effects of American civilization upon the immigrants.

American immigration differed from the other great migrations of the past. It was not a tribal movement. People came as individuals or families, and only occasionally as groups. It has been a movement of long duration, covering a period of over three hundred years. It was, on the whole, a peaceful migration, rather than a military conquest, such as that of the German invaders of the Roman Empire.

In point of numbers American immigration was also significant. Since 1820, the first year for which figures are available, it is estimated that over 38,000,000 people have come as immigrants to the United States. This is roughly equivalent in number to the entire population of the United States at the time of the War between the States.

21. Reduction in Immigration. The great waves of immigration have subsided. Steamships no longer bring hundreds of thousands of foreigners each year to our shores. Whereas, for illustration, there had been in 1907 1,285,349 immigrants, and in 1914, 1,218,480 immigrants who had entered the United States, the number had been reduced in 1930 to 241,700 and in 1931 to 97,139. In fact, the number who left our country in 1931 exceeeded the number of those who entered. In 1936, the total number of immigrants admitted to the United States was only 36,329. In 1938, however, the number increased to 67,895. The troubled conditions in Europe undoubtedly contributed to this increase.

22. Importance of Immigration. Despite the drastic reduction in numbers the subject of immigration is still one of intense interest. We cannot ignore the influence these immigrants have had upon American life. They have left their mark upon our civilization, and the effects of the great migration will endure for a long period of time. The people who came here brought with them not only their biological heredity, but also their social heritage, in their beliefs, ideals, customs, and traditions.

(*a*) *Contributions of Immigrants.* The immigrant has played an important part in the expanding and upbuilding of America. He has aided in the development of our railroads, our factories, and our mines. He has helped clear the land and till the soil. The tremendous industrial expansion of the United States would have lagged without the aid of our immigrant population. Their contributions have not been limited to the field of industry, however, but have extended to the realms of art, literature, music, and science.

(*b*) *Problems of Immigration and Americanization.* While the immigrants have made significant contributions to American life, they have also created problems: economic, social, and political. The task of Americanizing such vast numbers has not been an easy one.

Not all the immigrants who came to America were influenced solely by the desire for higher wages and material advancement. Many of them had heard of the American ideal of freedom and equality of opportunity for all; they came with high hopes of taking part in the more abundant life which America represented, not only materially, but also spiritually. It was not altogether the fault of the immigrants that their hopes were not always realized. Strangers in a strange land, they were sometimes bewildered by the perplexing conditions of their new environment. Through indifference they were often left to shift for themselves, unaided by those who were in a position to offer them counsel and assistance. It is small wonder that they tended to drift to centers where they could have the companionship of others of their kind.

A study of immigration and of the national and racial elements that compose our population will give us an insight into some of the problems that face us today, and should help to bring about greater co-operation and harmony in the solution of our problems. It should afford the groundwork for the creation of a stronger feeling of sympathy and understanding among the various national elements, and bring home the realization, that, first to come or last to come, we are all Americans.

23. Why People Came to America. Throughout the history of immigration many motives have influenced the movement of people from the Old World to the New. In general, the various causes may be reduced to three main classes: religious, political, and economic. Sometimes there has been one cause; often there has been a mixture of motives. During colonial days the causes were mainly religious and political.

In the nineteenth century, although religious and political motives still had an influence, economic reasons were chiefly responsible for the large immigration. Limited territory in the home country, low wages, and lack of opportunity naturally directed the attention of the Old World to the brighter prospects of the New World. Some of the immigrants also came to the United States prompted by a desire to evade the compulsory military service required of citizens in certain European countries. The more favorable economic conditions existing in the United States, the good wages, the large expanse of fertile lands, and the ideal of religious and political liberty were magnets which drew the dissatisfied and oppressed of all lands to our shores.

There were other contributing causes which influenced immigration. In a number of ways a constant pressure was exerted upon prospective immigrants. Steamship companies maintained agents in foreign lands whose job it was to see that the ships coming to America were filled to capacity. These agents resorted to various methods in order to create an interest in the land beyond the sea. American industrialists held out tempting bait to induce foreigners to come here. They desired unskilled labor and sought this labor abroad where it could be obtained cheaply. Our National Government also encouraged immigrants to make their home in the United States. For many years it not only made no effort to restrict immigration, but also attempted to make conditions easier for the immigrants when they arrived here. In 1862, the passage of the Homestead Act made available for immigrants large tracts of land in the West.

Changes in business conditions in the United States bear a close relation to the volume of immigration. A graph showing the number of immigrants entering the country from 1820 to 1930 will indicate that the crests and troughs of the waves of immigration correspond with few exceptions to the heights of prosperity and the depths of depression in the United States.

G. The Immigration Stream

24. Sources and Characteristics of the Early Immigration. From colonial days to the last decade of the nineteenth century, the immigrant stream was made up largely of people from northwestern Europe. This immigration has been called the "early" or "old" immigration to distinguish it from the "later" or "new" immigration from the southeastern European countries. The old immigration was composed of people who came from such countries as England, Scotland, Wales, Ireland, Germany, Norway, Sweden, and Denmark.

The Americanization and assimilation of these people were relatively easy, because they were more nearly like the people of the United States in language, religion, customs, standard of living, and political ideals than those who came in the new immigration. With few exceptions, they fitted into the American pattern without the necessity of much adjustment. There was some illiteracy in the old immigration, but it was not greatly in excess of that of the native whites of that period. These early immigrants came with the idea of making a permanent home in the United States. Consequently a large percentage of them became citizens. They did not tend to group themselves in centers with other foreigners but distributed themselves over a wider area than did the new immigrants.

(*a*) *English Influence.* During the colonial period the English predominated in numbers and influence, and English speech, customs, and institutions became firmly established. The English of the colonial period should, more accurately, be called colonists rather than immigrants, because they migrated to a possession of the mother country; they were not foreigners. In addition to the English who came during the colonial period, there were the Dutch, the Swedes, the Scotch-Irish, the Germans, the French Huguenots, and others.

(*b*) *Scotch-Irish.* The Scotch-Irish formed a large and important part of the immigrant stream during the eighteenth century. They were a hardy, intelligent, energetic, self-reliant, and liberty-loving people who came largely from the province of Ulster in the northern part of Ireland. They were Protestants, mostly descended from those who had gone from Scotland to Ireland in accordance with the wishes of the late Tudor and early Stuart monarchs of England.

Toward the close of the seventeenth century the British passed laws which seriously interfered with the linen and woolen trade of the Scotch-Irish. These laws together with other discriminations against them aroused their hostility toward the English, and they began to leave Ireland in large numbers for America. On reaching our shores the Scotch-Irish found most of the fertile territory east of the Alleghenies in the possession of the earlier colonists. They therefore pushed on to the hilly border regions and formed what has been described as a "fringe" to the colonies. They became the frontier people who engaged the Indians. Filled with an intense hatred of England, they had a strong influence on the attitude of the colonists during the Revolution, and formed an important element in the Revolutionary Army.

(*c*) *Palatinate Germans.* The Palatinate Germans were another interesting group who came to America during the colonial period. Their original home was the Palatinate region along the Rhine River in Germany. During the seventeenth century they suffered extreme hardships at the hands of the soldiers of the French King, Louis XIV.

Their homes and their crops were destroyed, and they were driven in desperate circumstances to seek refuge in other parts of the world. Large numbers of them came to Pennsylvania during the eighteenth century. They were attracted by the liberal views of William Penn, the religious liberty which he promised, and the opportunity to make a living on the fertile land. In Pennsylvania the Germans became known as the Pennsylvania Dutch, although they were German and not Dutch. They were steady, reliable, thrifty, and industrious, and constituted an important element in the population of the Keystone State.

(*d*) *Irish.* In the nineteenth century before the War between the States, Irish immigration predominated. This Irish immigration was Catholic and came from the southern part of Ireland. From 1820 to 1830, it is estimated that 50,000 Irish came to the United States. In the following decade the number was increased to 200,000. The potato famine of 1845 in Ireland greatly increased the movement of the Irish to the New World. In fact, the number emigrating from the homeland was so large that entire villages were said to have been deserted. The Irish settled chiefly in the cities along the Atlantic seaboard.

The early Irish immigrants were, for the most part, laborers who aided in the construction of the railroads and canals. Later, when the opportunity presented itself, the Irish made rapid progress in many directions. In business, in the professions, and especially in politics, these intelligent, witty, buoyant, and stalwart people attained notable success.

(*e*) *German Immigration of the Nineteenth Century.* During the middle of the nineteenth century, another important migratory movement of Germans took place. This migration was caused by motives which differed greatly from those which had prompted the Palatinate

Germans to leave their homeland during the colonial period. These people belonged to a liberal element in Germany which had attempted to bring about certain reforms. They were unsuccessful in their attempt, however, and migrated in large numbers to the United States. They were a good type of people who made valuable contributions to American life. They were, in most cases, educated and well equipped to earn a living. They left their native land not so much for economic reasons, as because they were unable to attain a realization of their ideals in the Fatherland. Later German immigrants settled chiefly in Wisconsin, Missouri, Illinois, Ohio, and Indiana, where they established prosperous communities. They became successful merchants, artisans, and farmers.

(*f*) *Scandinavians.* The people from Norway, Sweden, and Denmark constituted another great group of immigrants. They came in especially large numbers during the period of the 1880's. They were attracted to the United States by the large amount of land available for settlement and by the opportunities for a livelihood. The Scandinavians went into farming, lumbering, and other basic industries. Large numbers of them settled in North and South Dakota and in Minnesota and Wisconsin. They were honest, thrifty and industrious, possessing also a high literacy record.

25. Changing Sources of Immigration. The year 1882 has been considered an important date in the history of immigration. After that time the immigration from northwestern Europe declined and large numbers of people from southeastern Europe and western Asia began to arrive. Immigrants in the new groups came from Italy, Austria-Hungary, Poland, Russia, Spain, Portugal, the Balkan countries, Turkey, and Armenia.

The following table shows the changes in the composition of the foreign-born population of the United States between 1890 and 1930, which resulted from these shifts in the numerical importance of various European sources of American immigration.

COMPOSITION OF FOREIGN-BORN WHITE POPULATION OF THE UNITED STATES

1890		1930	
German	33.2	German	17.7
Irish	23.3	Italian	11.7
British	13.2	Irish	9.8
Scandinavian	7.5	British	9.4
French Canadian	2.6	Austro-Hungarian	8.8
Austro-Hungarian	2.0	Polish	8.6
Russian	1.3	Scandinavian	8.3
Italian	1.2	Russian	8.1
All other countries	15.7	French Canadian	2.9
		All other countries	14.7

26. Characteristics of Later Immigration. The new immigration proved somewhat more difficult to assimilate than the old. It differed not only in regard to its sources but also in regard to its characteristics. Whereas the stock of the old immigration was almost entirely Anglo-Saxon, Celtic, and Teutonic, three fourths of the new immigration were Slavic, Semitic, and Latin. There were wide differences in religion, in ideals of government, in education, in standards of living, in language, and in training for occupations. The new immigrant had had less experience under democratic forms of government. He had lived under despotic or autocratic rulers, and he was less familiar therefore with the responsibilities of citizenship in a democratic society. The new immigrants likewise had enjoyed only limited opportunities for education. Consequently a large proportion of them were illiterate. Their standard of living was inferior to that of the older immigrants. They also spoke foreign languages, which complicated still further the problem of Americanization. Many of them came here not with the ideal of becoming permanent residents, but with the idea of accumulating a little money and then returning to their native land to enjoy it.

The new immigrants were largely unskilled workers, and they tended to gather in the industrial sections of the country, where they segregated themselves in thickly populated centers. In New York and other large American cities there are areas which have been settled almost entirely by these foreign groups. They went in large numbers to such states as Pennsylvania, Illinois, New York, New Jersey, Ohio, Massachusetts, Connecticut, and Rhode Island, where there was a demand for unskilled labor. Very few of them found their way to the Southern States or to the agricultural states of the West.

27. Contributions of the New Immigrants. Although it is true that serious problems arose in the process of adjusting the new immigrants to a civilization so different from the one they had left in their native land, nevertheless they made distinct and valuable contributions to the development of the American nation. They supplied the chief source of unskilled labor for many of our basic industries: for the great steel and iron works, transportation, manufacturing, and mining. They brought us new artistic concepts which were a part of their heritage from the civilizations of the Old World. Their contributions extended to the fields of science, art, and music.

Under favorable circumstances, the new immigrants proved to be good citizens. With encouragement, sympathy, and opportunity, they were able to advance intellectually and economically. In every emergency where patriotism was put to the test, they were as loyal as the groups longer in this country.

28. Composition of Later European Immigration. (*a*) *Italians.* The Italians constituted an important group in the new immigration. They are keen, energetic, and enterprising; they have a strongly developed appreciation of art and music. The Italians came to the United States mainly because of the limitations of territory and economic opportunities in their native land.

They settled chiefly in the North Atlantic States, where they engaged in the building trades, in farming, and in various forms of unskilled labor. Some Italians are also found today in the fruit-growing areas of the Pacific Coast.

(*b*) *Jews.* Another group which formed a conspicuous portion of this later immigration were the Jews, who came chiefly from Russia, Poland, and the former kingdom of Austria-Hungary. They came because of religious persecutions in their native lands and also for economic reasons. America has served as a land of opportunity for millions of these harassed people. It has been said that one third of all the Jews in the world now reside in the United States. These immigrants have shown a tendency to establish homes and to remain here permanently. They have settled for the most part in urban communities, where they have been highly successful in commercial and financial enterprises. They have shown a high aptitude for learning and for cultural pursuits. New York City has become a center for the Jews in the United States.

(*c*) *Slavs.* The former kingdom of Austria-Hungary served as the main source of our Slavic immigration. Many Slavs also came from Poland, Russia, and the Balkan States. The Slavs immigrated to the United States in especially large numbers during the early years of the twentieth century. Like other immigrants, they were attracted by the opportunity to make higher wages than they could earn at home. Slavs were of strong physique and proved to be willing workers. They found employment in the iron and steel industry and in the coal mines. Some of them, especially the Poles and Bohemians, have shown a strong love for the soil, and have worked wonders on farm lands abandoned as unproductive by native Americans.

(*d*) *Other Groups.* Other groups have also contributed to the later immigrant stream. Among them are the French Canadians, Greeks, Finns, Armenians, Rumanians, Hungarians, and Turks. Although they have come in smaller numbers than the groups already discussed, all have left some impress upon American civilization.

29. Oriental Immigration. The question of Chinese and Japanese immigration has been serious, particularly on the Pacific Coast. These Oriental peoples differ even more from the Europeans than the Mediterranean peoples of Europe differ from the Nordic groups. The differences in standards of living and cultures, as well as the differences in race, between the peoples of the Orient and those of western civilization have made the problem of assimilation almost impossible.

(*a*)-*Chinese.* The Chinese began to come to the United States about the time of the Gold Rush in 1849. They engaged in work in lumber camps, in gardening, and in domestic service. Because they were able to live on wages that were too low to maintain a native American in decency, they aroused the hostility and suspicion of the American workman. In 1882, Congress enacted the Chinese Exclusion Act, which excluded Chinese laborers from the United States for a period of ten years. In 1904, Congress made permanent the provisions of the Act of 1882.

(*b*) *Japanese.* After the exclusion of the Chinese, Oriental immigration continued in the form of Japanese settlers on the West Coast. The people of California bitterly resented the intrusion of the Japanese into their state. It was felt that they were especially active in acquiring land and were inclined to have unusually large families. By 1907, the problem of Japanese immigration had become such an acute issue in California that the Federal Government made a treaty with Japan called "the Gentlemen's Agreement." In accordance with the terms of this understanding, Japan promised to prevent further emigration of Japanese laborers to the United States. This agreement was in effect until 1924 when the Japanese were excluded by federal law from immigrating into this country.

H. Influences of Immigration upon American Life

30. Economic Influence. The new immigrant was generally an unskilled worker and accustomed to a lower standard of living than that enjoyed by the American worker. He was therefore willing to accept a lower wage for his services. The immediate effect of this competition was a reduction in the standard of living of the American laborer.

The long-term effect, however, has been to release the American worker for more highly skilled occupations. The foreign laborer supplied the need for unskilled labor created by modern industrial conditions and took over the jobs which the native American worker did not care to do.

31. Social Influence. The Americanization and assimilation of the new immigrants have been made difficult, not only because of their tendency to segregate, but also because of the large amount of illiteracy among them. The inability to speak and read English deprived many of them of contacts with Americans in the community; it meant that they were without proper sources of information regarding American customs and ideals.

Many immigrants were so poor that they were forced to live in slum districts, crowded into small quarters where they were inadequately sheltered, fed, and clothed. These crowded quarters, poorly ventilated and badly lighted, became breeding places for disease, poverty, and crime.

Records indicate that the immigrant himself does not show a greater tendency toward crime than does the native American. They do indicate, however, that the children of immigrants show a greater tendency to violate the laws of society than that exhibited by the general population. This has been attributed to the influence of the slum environment and the lack of proper guidance. The child of immigrant parents often resents the discipline and repression growing out of the Old World ideals of his parents. The parents, moreover, ignorant of our ways and frequently bewildered and perplexed by their new environment, are led to believe that the conduct which they disapprove in their children is in accordance with accepted American standards. The consequences are not only tragic for the individuals and their families, but fraught with serious social effects. School and youth groups of various sorts have helped to teach these children wholesome American ideals.

The disproportion between males and females in the new immigration has also had unfortunate social aspects. Because of the greater number of males, normal family life was made difficult, if not impossible.

32. Political Influence. Many of the immigrants had lived under despotic rulers in their native lands where they had little experience in the responsibilities of citizenship in a democracy. They could not comprehend that democracy requires the discharge of duties, as well as the enjoyment of rights and privileges. Consequently, massed as they were in large cities, and frequently without a knowledge of the English language, they sometimes fell under the influence of politicians who used them for the promotion of unworthy ends. In this way, the immigrant, often unintentionally, lent himself to the continuance of corrupt politics. The blame for this condition, however, lay not so much with the immigrant as it did with those Americans who were indifferent to the welfare of both the immigrant and the community.

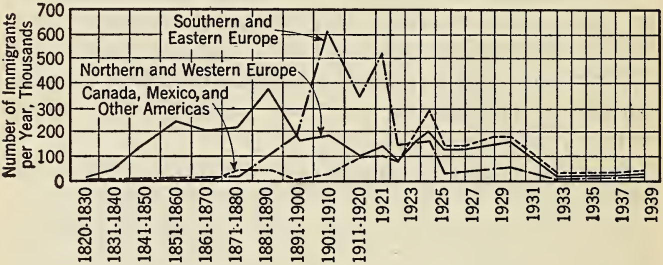
I. Immigration Legislation

33. Encouragement of Immigration. In the first half of the nineteenth century, some slight opposition was voiced to the unrestricted flow of immigrants into the United States; but little effort was made to apply restrictive or selective measures. There was no clearly expressed immigration policy and there was not even any well-formulated public sentiment concerning immigration, except perhaps that of encouraging it. The policy of encouraging immigration was urged by industrialists, by steamship companies, and by the government. The first immigration law passed by the Federal Government in 1819 represented an effort to eliminate abuses to which immigrant passengers had been subjected on vessels bringing them to this country.

34. Regulation of Immigration. During the latter half of the nineteenth century there was a change of opinion. Protests against the enormous volume of immigration and the dangers of a nonrestrictive policy increased. In 1875, Congress enacted a law prohibiting the admission into the United States of convicts and immoral women. In 1882, the Federal Government passed a noteworthy law which sought to exclude idiots, lunatics, and paupers. It also imposed a head tax of fifty cents upon each alien over sixteen years of age entering the United States. In 1885, the practice of bringing foreign contract labor into the United States was forbidden. Other laws were passed which still further regulated immigration.

35. Restriction of Immigration. (*a*) *Literacy Test and Head Tax.* The changed nature of immigration during the twentieth century aroused increased public interest and alarm. In 1917, the Literacy Act was passed. This act required that the immigrant should be able to read or write in some language. The head tax which had been increased several times since 1882 was now raised to $8.00. The Literacy Act was opposed by those who maintained that the ability to read in some language was not a fair test of an immigrant's desirability as a citizen. Such a test, it was felt, would bar many worth-while immigrants.

(*b*) *Immigration Quotas.* At the close of the World War new fears were expressed that the United States would be overrun with immigrants from the war-torn countries of Europe. Public sentiment demanded strict measures. Accordingly, in 1921, Congress passed the first quota law which limited the immigration from any country to 3 per cent of the number of persons of that nationality living in the United States at the time of the 1910 census. In response to appeals for even stricter legislation, Congress passed the Law of 1924, which reduced the quota of immigrants to 2 per cent of the number of persons of that nationality living in the United States at the time of the census of 1890. This law not only drastically reduced the total number of immigrants but also increased the relative proportion of immigrants from northwestern Europe.



Changing Character of American Immigration

The 1924 Act contained the national-origins provision, which was put into operation in 1929. It provided that the number of immigrants from any European country bear the same ratio to 150,000 as that national group in the United States bears to our total population.

36. Refugees. During the past few years political disturbances have forced many people in the Old World to leave their native countries. Because of this, the problem of the refugees has received considerable attention, particularly in the democracies. The question has been raised as to whether the United States, through legislation if necessary, should make special provision for admitting these unfortunate people into the country. We have already pointed out that the increase in the number of immigrants in 1938 was largely due to the disturbed conditions in Europe.

Summary. The quality and quantity of a population have an important influence upon the growth, power, and prestige of a nation. The rapid increase of population during the nineteenth century was one of the outstanding developments of modern times. The growth of population was particularly rapid in the United States. Although our population is still increasing, the rate of increase is declining.

The census figures of the United States reveal some interesting facts regarding the composition of our population. The percentage of older people is growing, the size of the family is decreasing, and the excess of men over women is declining. Recent census reports also show that our population is a composite one, made up of representatives of practically every race and nationality in the world. With the prospect of a more or less stationary population at some future date, considerable interest has been manifested in improving the quality of our population.

Although the volume of immigration has been drastically reduced, the question of immigration is still important because of its far-reaching influence on American life. Economic, political, and religious motives have influenced the movement of people from all parts of the world to the ports of this country. Despite the fact that immigration has created many problems, American civilization has been enriched by the contributions of immigrant groups. The immigrant stream has had two principal sources: the countries of northwestern Europe and those of southeastern Europe. These groups possessed somewhat different characteristics. The immigration from the Orient came principally from China and Japan.

Our immigration policy has passed through three general stages: (1) encouragement, (2) regulation, and (3) restriction. Oriental immigration has been excluded.

Word Study: Composite; epidemics; optimum population; urban; quota; alien; life expectancy; assimilate, segregate; illiteracy; Americanization; median age; migration, immigration, emigration; Celtic, Teutonic, Nordic, Slavic, Semitic, Oriental.

QUESTIONS ON THE TEXT

1. What are some of the qualities that distinguish the population of the United States?

2. When and how does a large population promote national progress? When and how does it limit national progress?

3. What is meant by the optimum population?

4. What has been the tendency in the birth rate in the United States? What is the principal reason for the change in birth rates?

5. What has been the tendency of the death rate in recent years? What factors have influenced the change in the death rate?

6. What was Malthus' theory of population? Does it apply to population today?

7. What significant change has taken place in the proportion of older people in our population? What are some of the important results that may be expected to follow this change?

8. What is the estimated population of the world? How is this population distributed by continents?

9. What is the population of the United States? What states are most densely populated? The least densely populated?

10. Is our population today predominantly rural or urban? Why?

11. How has immigration to the United States differed from the other great migratory movements of the past?

12. How did the early or old immigration differ from the later or new immigration?

13. Give some reasons for immigration to America of the Scotch-Irish, the Palatinate Germans, the Irish, the Germans, the Scandinavians, the Italians, the Jews, the Slavs.

14. What has been the economic influence of immigration upon American life? The social influence? The political influence?

15. Discuss briefly some of the important legislative measures regarding immigration enacted by the Federal Government since 1819.

16. Discuss Oriental immigration and steps taken by the Federal Government to ban it.

Application and Interpretation

1. How does the quality of a population influence the progress of a nation? Illustrate, using the United States as an example.

2. What is the population of your state? What was the population in 1920? in 1930? If it has changed materially, how do you account for the change?

3. Would a declining population influence any economic activities in your community? Would real-estate values be affected? If so, how?

4. Explain the statement: "Some of the European nations have exceeded their optimum populations."

5. Give your own interpretation of the statement: "An older population is a more conservative population."

6. What contributions have immigrants made to the upbuilding of your state?

7. Did any of the old or new immigrant groups come to your state in considerable numbers? If so, what attracted them?

8. What change in population trends has increased public interest in social-security legislation?

9. Is there any evidence in your school to show that America has been the great "melting pot"?

SUGGESTED ACTIVITIES

I. Prepare talks on the following topics:

1. America, the Promised Land.
2. Contributions of immigrants to American life.
3. Population changes and their significance.
4. Old-age pensions.

II. Make a chart containing the following information about the various immigrant groups who came to the United States:

NAME OF GROUP	PRINCIPAL CHARACTERISTICS	REASONS FOR COMING	LOCATION IN AMERICA	CONTRIBUTIONS TO AMERICAN LIFE

III. Have a group visit a Naturalization Court; note carefully the procedure and make a report to the class.

IV. Have a group debate the following question: *Resolved:* That the United States should amend its immigration laws to permit the admission of political refugees from abroad.

V. Prepare a graph showing the volume of immigration for each ten-year period from 1820 to the present time. On the same graph indicate the periods of depression and prosperity in the United States.

VI. On an outline map of the United States indicate the location of the principal immigrant groups.

VII. Draw cartoons illustrating:

1. Economic influence of immigration.
2. Social influence of immigration.
3. Political influence of immigration.

VIII. Write essays expressing your own views concerning (1) The meaning of Americanization and the best methods of Americanizing our foreign born. (2) The refugee problem.

COLLATERAL READINGS

BOK—*The Americanization of Edward Bok.*

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap. X, "Population Trends."

Elliott, Merrill, and Wright—*Our Dynamic Society;* Chap. IX, "The Immigrant."

Ellwood—*Social Problems—a Sociology;* Chap. IX, "The Growth of Population"; Chap. X, "The Immigration Problem."

Eaton—*Immigrant Gifts to American Life.*

Gavian, Gray, Groves—*Our Changing Social Order;* Unit V, "Uncle Sam's Family."

Riis—*How the Other Half Lives.*

Ross—*The Old World in the New.*

Towne—*Social Problems;* Chap. II, "Population"; Chap. III, "Immigration."

Advanced Readings

Carlton—*Labor Problems;* Chap. XXIV, "Immigration and Population Problems."

Commons—*Races and Immigrants in America.*

Dublin and Lotka—*Length of Life.*

Fairchild—*Immigration.*

Gillette and Reinhardt—*Current Social Problems;* Chaps. V, VI, VII, "Population and Its Problems"; Part IV, "Problems Connected with Race and Nativity."

Patterson and Scholz—*Economic Problems of Modern Life;* Chap. XXVI, "Population and Immigration."

President Hoover's Committee—*Recent Social Trends;* Vol. I, Chap. I, "The Population of the Nation."

Stephenson—*A History of American Immigration.*

Thompson—*Population Problems.*

Young—*An Introductory Sociology;* Part II, "Geography, Race, and Population."

References

National Resources Committee—*Problems of a Changing Population.*

United States Bureau of Immigration—*Reports.*

United States Bureau of Naturalization—*Reports.*

United States Census Bureau—*Reports.*

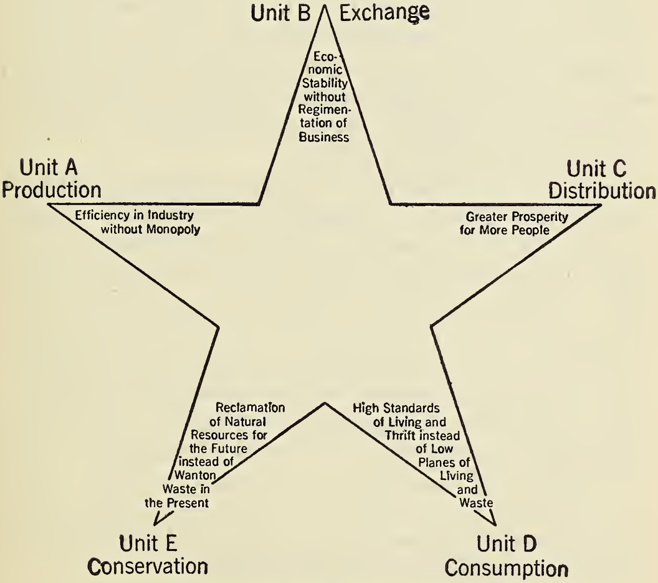
United States Office of Education—*Booklet and Phonograph Records:* "Americans All, Immigrants All."

World Almanac.

PART TWO

ECONOMIC ASPECTS OF MODERN CIVILIZATION

Unit A. Problems of Production
Unit B. Problems of Exchange
Unit C. Problems of Distribution
Unit D. Problems of Consumption
Unit E. Problems of Conservation


Unit B Exchange
Economic Stability without Regimentation of Business
Unit A Production
Efficiency in Industry without Monopoly
Unit C Distribution
Greater Prosperity for More People
Reclamation of Natural Resources for the Future instead of Wanton Waste in the Present
High Standards of Living and Thrift instead of Low Planes of Living and Waste
Unit E Conservation
Unit D Consumption

Economic Ideals—Star of Hope of Economic Progress

PREVIEW TO PART TWO

ECONOMIC ASPECTS OF MODERN CIVILIZATION

Concentration is my motto—first honesty, then industry, then concentration.—ANDREW CARNEGIE.

I never did anything worth doing by accident, nor did any of my inventions come by accident.—THOMAS A. EDISON.

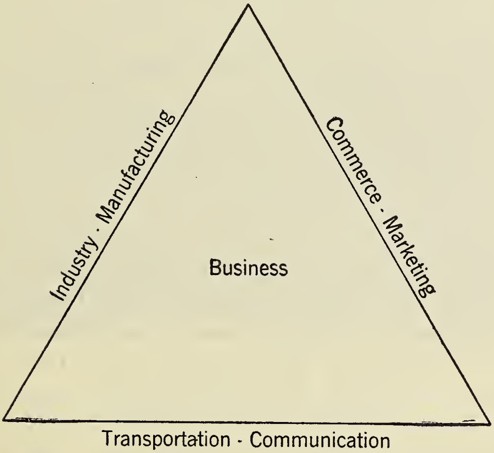
The general plan of this text was outlined in the Introduction. The student will recall that after an introductory survey of basic social factors in modern civilization, economic problems will be treated first, social problems next, and political problems last. In reality, all problems of American Democracy have their economic, their social, and their political aspects.

Part Two is devoted to Economic Aspects of Modern Civilization. It is as long as it is fundamental. Consequently, Part Two will be found subdivided into five units, each of which has a main theme and a major problem. Unit A, Problems of Production, centers about industrial efficiency, including the problem of business combinations. Unit B, Problems of Exchange, describes means of exchange and the problem of financial instability. Unit C, Problems of Distribution, examines our national prosperity, honeycombed by economic inequality. Unit D, Problems of Consumption, discusses our high standards of living, undermined by economic insecurity. Unit E, Problems of Conservation, contrasts this social ideal with the economic fact of wanton waste.

UNIT A

PROBLEMS OF PRODUCTION

Chapter V. Growth and Control of Big Business
Chapter VI. Transportation and Communication
Chapter VII. Marketing Commodities and Securities


Industry · Manufacturing
Commerce · Marketing
Business
Transportation · Communication

The Triangle of Production

CHAPTER V

GROWTH AND CONTROL OF BIG BUSINESS

Objectives:

(1) To show the rise of big business in the United States, and to examine the nature of business combinations and monopolies.

(2) To point out the development and character of governmental regulation of big business.

A. Industrial Giants in Our Modern World

1. **Rise of American Manufactures.** Throughout the colonial period Britain had restricted manufacturing in her colonies; later, when machines came into use in England, she forbade their exportation. These factors naturally retarded the development of manufacturing in the United States.

Certain events in the first quarter of the nineteenth century, however, stimulated our manufactures and paved the way for the industrialization of the United States. The Napoleonic Wars, the Embargo and Nonintercourse Acts and the War of 1812 seriously interfered with our commerce and made the importing and exporting of goods extremely difficult. The American people were deprived of many of those things which they had formerly obtained from abroad, and were forced by necessity to produce them. Government orders for war materials during the War of 1812 also stimulated industry in this country.

Manufacturing was first started in the textile industry and then spread to other industries. The first half of the nineteenth century was marked by a steady increase in the number of factories, in the value of their output, and in the capital invested.

2. Concentration of American Industry. (*a*) *Larger Production Units.* After the end of the War between the States, business establishments did not continue to multiply as rapidly as they had done earlier. On the other hand, existing plants expanded greatly. In many industries they actually declined in number, but grew in size and output. While the number of factories decreased, the number of employees, the capital investment, and the total volume and value of their products increased. The larger unit of production has continued to grow in importance up to the present time.

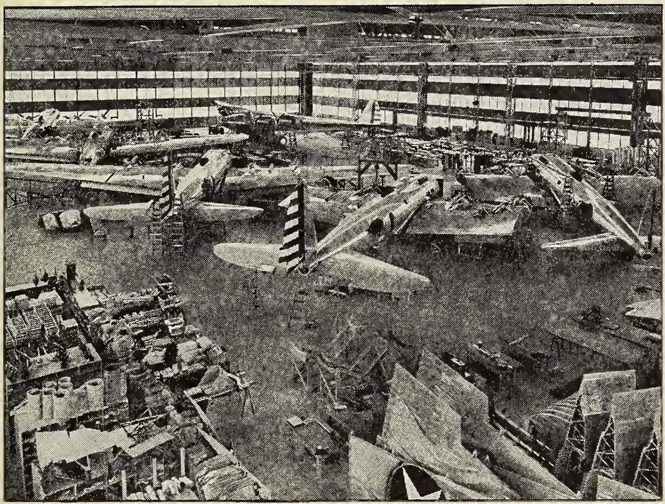


Photo from Boeing Aircraft Company

MASS PRODUCTION OF AIRCRAFT

A glimpse inside an assembly plant showing United States Army planes being assembled.

(*b*) *Combinations of Plants.* There was a tendency for business establishments to unite under one management and the resulting enormous organizations were called combinations. These combinations are sometimes loosely referred to as monopolies or trusts. Huge production plants and correspondingly large business units exist today in almost every field of economic activity. Our automobiles, radios, meats, and household utensils; our light, heat, and power; and indeed, most of the commodities and services we consume are now produced by gigantic combinations.

3. Causes for the Rise of Big Business. While not peculiar to the United States, the combination movement has proceeded more rapidly and more extensively here than in any other country. It has come about naturally as a result of the enormous demand of consumers for machine-made goods, and by the desire of manufacturers to secure the advantages of large-scale production.

The protective tariff, by imposing a tax upon certain goods entering the United States from foreign countries, also aided the combination movement. It provided for the American producer a vast home market free from the competition of foreign manufacturers.

In some lines of business, competition was especially severe and serious. This was the case with the railroads during the latter half of the nineteenth century. By uniting under one management, however, individual companies were able to secure more effective control, to escape price wars, and to reduce competition.

4. Advantages of Large Combinations. Large combinations, through their great accumulations of capital, are able to conduct operations on a huge scale. This large-scale production gives tremendous advantage over small independent companies. These advantages constitute the most important reason for the rise of combinations.

The large-scale producer can buy raw materials, machinery, and other equipment in such great quantities that he is able to obtain them more cheaply than the smaller concern. This helps to reduce costs of production. The large-scale producer employs a huge labor force and makes extensive use of machinery. This makes possible a minute division of labor which, in turn, enables him to produce goods more efficiently, in greater volume, and at a lower unit cost than his smaller competitors. Mass production enables the producer to sell many goods at a low price rather than a few goods at a high price.

The large combination can afford to set up standards of efficiency impossible for many smaller concerns. The services of highly trained experts can be secured to manage the various departments. Personnel departments can be maintained to examine applicants for positions, to see that the most highly qualified are employed, and that they do the work for which they are best fitted by training and personality. Skilled salesmen who are able to interpret the needs of particular sections of the market area also can be employed, and thus enable the producer to satisfy more completely the varied needs of his different customers. Efficiency experts may be engaged to study the production methods of the organization in order to eliminate waste and inefficiency.

The establishment of branch offices and local warehouses enables the large-scale producer to render quick and efficient service in supplying the needs of widely separated communities. Goods can be shipped directly from a branch depot to a customer, and save considerable delay and expense in freight charges. The smaller concern would have to ship its product from the main plant which might be hundreds of miles away.

The large operator manufactures on such a vast scale that he has immense quantities of waste materials. By the expenditure of large sums of money, he has been able to employ scientists and to maintain laboratories for the purpose of discovering profitable ways of employing these waste materials. In the manufacture of coke, for example, coal tar, which was formerly thrown away as a waste product, has become the source of many valuable materials. It is used in the manufacture of perfumes, drugs, dyes, and various other useful commodities. Similarly in the meat-packing industry nearly all of the materials which were formerly wasted are now used in the manufacture of other commodities. Bone is used for buttons; hair for mattresses; animal glands in the preparation of medicine; blood and other refuse are used as fertilizer. The use of by-products has become an important source of revenue for the large-scale producer.

5. Structure of Combination. Combinations may be horizontal, vertical, or circular.

(*a*) *Horizontal Combination.* A horizontal combination represents the grouping together of concerns which are engaged in the same process of production. For example, several manufacturers of tobacco may combine under one management and become what is known as a horizontal combination. It is necessary for the horizontal combinations to go outside their own organization in order to buy many of the materials which they need in the production of their commodity.

(*b*) *Vertical Combination.* A vertical combination includes not only companies engaged in the same process of manufacture, but also producers of raw materials and other commodities needed in the manufacture of their product. Such concerns, therefore, are assured of a stable source of supply of necessary materials; they are also able to save the profit which would otherwise go to firms outside the combination. The vertical combination attempts to make a business self-sufficient. The bringing together under one control of all the processes that are necessary to produce a commodity or a number of commodities is called integration. Complete integration, however, would be difficult to obtain.

(c) *Circular Combination.* A third method of combination is brought about when several companies which produce certain noncompeting goods, which can be marketed in a similar manner, are merged under the direction of one management.

6. Forms of Combinations. There have been different forms of combinations. The earliest to appear was the pool. This was followed by the trust, later by the holding company, and still later by merger into a single great corporation.

(a) *Pool.* To eliminate competition, which was especially severe after the War between the States, several companies united in a pool. The members of the pool agreed to adopt certain measures in order to secure the advantages of group action. They might agree secretly to fix prices, to divide up the territory, or even to regulate production. The revenues of the combining companies were sometimes placed in a common fund. This fund was later divided among the members of the pool in accordance with a previous agreement.

Pools operated with difficulty in many cases because they were illegal forms of combination. Furthermore, members did not always carry out the provisions of their agreements. Since pools were illegal, the injured parties could not obtain legal satisfaction.

(b) *Trust.* The trust made its appearance in 1879 with the establishment of control by the Standard Oil Company through the trusteeship device. Although this type of combination was later abandoned, the term *trust* is still commonly applied to any large form of industrial combination.

The Standard Oil Company attempted to eliminate competition by combining under its control many other companies engaged in refining petroleum. These oil companies turned over their stock to the trustees of the Standard Oil Company and received in exchange trust certificates. These certificates served as evidences of membership in the combination and entitled the holders to proportional shares in the pooled profits of the trust. Directors of member corporations relinquished control of their own companies, which were managed by a unified board of trustees.

Through this arrangement, the board of trustees were able to reduce competition, fix prices, dictate policies, and centralize control over a vast organization, composed of many units, extending over a wide territory and controlling enormous amounts of capital. Other similar trusts, including the Whisky Trust and the Tobacco Trust, were formed during the latter half of the nineteenth century.

The unfair discriminations and price manipulations carried on by the trusts aroused public disapproval and finally resulted in the enactment of antitrust legislation, such as the Sherman Act of 1890. The courts also ruled that the trust was an illegal extension of the trusteeship.

(*c*) *Holding Company.* With the discontinuance of the trusteeship device a new form of combination appeared, called the holding company. The holding company is a corporation organized not to own physical wealth nor to produce services directly, but to control other companies through stock ownership. Companies owned or controlled by holding companies are called subsidiary companies. The General Motors Company and the American Telephone and Telegraph Company are familiar examples of holding companies. The holding company takes over a subsidiary company when it has secured complete or a majority control of the stock of this company. Holding companies have been formed not only to unify operating companies, but also to dominate other holding companies. This intricate system of financial control of holding companies by other holding companies has been called *pyramiding.*

In recent years powerful holding companies have appeared in the field of public utilities. Because of the essential nature of the services furnished by public utilities and because of the absence of competition among them, these great combinations were viewed with suspicion by consumers.

(*d*) *Merger and Consolidation.* The merger is a form of combination which is brought about by the uniting of two or more companies into another larger unit. The companies that make up the merger sell out their interests in their own concerns, and merge with other companies into a huge new combination. The United States Steel Corporation, for example, was the result of the merger of many small companies into a vast new organization.

Consolidation has the same effect as a merger, but one of the original companies survives and takes over the other concerns which lose their separate identities. The process of consolidation can be achieved by outright purchase or by an exchange of stock in one company for stock in another company.

B. Monopoly

7. Nature of Monopoly. The wise regulation of big business has become increasingly important in our modern economic system. Before we can consider the regulation of big business, however, we must understand the meaning of monopoly.

The term *monopoly* is frequently applied incorrectly to all forms of big business. Size in itself, however, is not proof of monopoly. A company can be considered a monopoly only when it is able to fix the price of a commodity or service. In considering monopolies, therefore, the question of the monopoly price is important.

8. Monopoly Price. The monopolist may not charge the highest price he can get. This might force many people to do without his product. On the other hand, too low a price would force him to operate at a loss. He will, therefore, study marketing and manufacturing conditions and, after certain necessary experimentation, fix upon a price somewhere between these two extremes, seeking to approximate the point of greatest profit. This price is called *monopoly price.* It is generally higher than a competitive price, which tends to fluctuate about the cost of production level.

Factors other than control of supply will also influence the price which the monopolist will charge. If the monopoly price is too high, many customers may substitute other commodities or services for those produced by the monopolist. Competitors may be encouraged to enter the field and thus force the monopolist to lower his price. The government also may take action if the monopoly price of any common necessity becomes so high that it works an undue hardship upon the consuming public.

9. Types of Monopolies. Monopolies may be classified as legal or natural monopolies, and as capitalistic or labor monopolies.

(*a*) *Legal Monopolies.* Legal monopolies are those which man has created by law. For example, the Constitution has given the Federal Government exclusive power to coin money and to operate the post offices in the United States. The operation of the post office and the coinage of money therefore are public legal monopolies. Other examples of public legal monopolies are the salt business in Saxony, and the tobacco business in France, from which industries the competition of private business enterprise has been excluded by law.

In order to encourage invention and progress in arts and sciences, the Constitution has given Congress power to grant patents, trademarks, and copyrights. The person receiving a patent, trademark, or copyright, enjoys a personal legal monopoly for a limited number of years.

(*b*) *Natural Monopolies.* Railroad and bus lines, telephone and telegraph companies, power and light concerns, and other public utilities are examples of natural monopolies. Only a limited number of companies selling a particular public service or commodity are permitted to operate in any locality. Consequently these companies have a monopoly control over the utilities they produce.

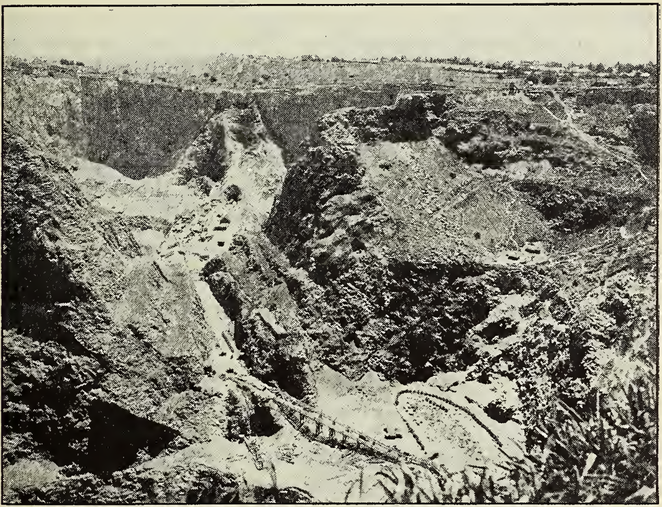


Photo from Philip D. Gendreau

Premier Diamond Mine, Pretoria, South Africa
The owner of a diamond mine is a natural monopolist.

In order to conduct such businesses, public utilities must secure permission from the government. The right to operate is called a franchise; the franchise must be obtained by a public utility in addition to the charter, or grant of the right to exist, required of all corporations.

Another type of natural monopoly has been created by nature itself. Many of the valuable resources found in or upon the earth are limited in quantity. The owners of these resources, therefore, are natural monopolists. Among the products of the earth which have given their owners monopoly control are coal, diamonds, oil, silver, and gold.

(*c*) *Capitalistic Monopolies.* The capitalistic monopoly, through its powerful organization and its huge accumulation of capital, is able to gain control of the supply of its product, eliminate competition, and fix the price of the commodity or service it supplies. The capitalistic monopoly has aroused the opposition of those who feel that the deliberate elimination of competition is contrary to the spirit and ideals of American Democracy.

(*d*) *Labor Monopolies.* Many labor organizations have achieved considerable power. It is claimed that some have resorted to monopolistic practices.

C. Social Control of Big Business

10. Some Viewpoints on Social Control. The wise, fair, and effective control of big business has been a subject of especial concern to Americans for many years. It has given rise to wide differences of opinion.

There are some who advocate a policy of complete noninterference with business. This group would adhere strictly to the old *laissez-faire* or "hands off" policy. Business, they say, if let alone, will solve its own problems and make its own adjustments. Others maintain that large combinations should be abolished altogether, and that production should be carried on by smaller units.

A middle group, however, hold the view that although it is not without its evils and abuses, big business has brought us decided advantages and serves a useful purpose in our modern economy. They regard governmental regulation as the most effective means of eliminating the abuses and retaining the gains of large combinations.

The advocates of increased governmental regulation of industry have been gaining popular approval. The bitter "trust-busting" crusade of an earlier day has been succeeded by a valiant exploration for new methods of controlling big business. The social control of big business requires increased and improved forms of regulation, rather than the alternative of "regulation by the axe" or no regulation at all.

Despairing of effective and desirable regulation of big business by the state, some thinkers favor governmental ownership and operation of public utilities. Socialists advocate such a policy for all types of industrial combinations and for big business in general.

11. How Big Business Has Been Regulated. The early trusts aroused bitter opposition in the United States, and created a demand for effective control by the National Government. This led to the enactment of the Sherman Antitrust Act in 1890. This act, like other later ones, was passed in accordance with the constitutional power granted the Federal Government to regulate interstate commerce, or commerce among the states.

(*a*) *Sherman Act.* The Sherman Antitrust Act declared illegal "every contract, combination, in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations."

The courts found it difficult to apply this law when cases were brought before them. However, numerous fundamental decisions were made and several companies were ordered by the Supreme Court to dissolve.

(*b*) *Clayton Act.* In 1914, Congress passed the Clayton Act. This law was intended to make more definite the general provisions of the Sherman Act by specifying some of the practices which were in restraint of trade. The Clayton Act, for illustration, prohibited price discriminations.

(*c*) *Federal Trade Commission Act.* In 1914, Congress also passed the Federal Trade Commission Act. By the provisions of this act a board of five men, called the Federal Trade Commissioners, were given authority to investigate the business of companies engaged in interstate business. If it found a corporation carrying on unfair or monopolistic practices in violation of the antitrust laws, it could order the corporation to cease those activities. This act gave the commissioners the power not only to demand that corporations submit reports on their business, but also to assist in the prosecution of those concerns carrying on illegal practices.

(*d*) *National Industrial Recovery Act.* During the great depression, the Roosevelt administration sought by various acts of Congress to regulate big business. The National Industrial Recovery Act, passed in 1933, was designed to speed recovery and to check the effects of the depression by regulating wages, hours of labor, and production. Those provisions of the antitrust laws which conflicted with the National Industrial Recovery Act were suspended. This act was declared unconstitutional by the Supreme Court in 1935.

(*e*) *Robinson-Patman Act.* As an amendment to the Clayton Act, Congress, in 1936, passed the Robinson-Patman Act. This act defined more clearly price discriminations.

(*f*) *Investigation of High Prices and Monopolistic Practices.* The temporary National Economic Committee, consisting of twelve members, was appointed in 1938 to investigate monopolistic practices and tendencies in big business.

(*g*) *Fair-Trade Acts.* As a protest against price cutting and other competitive practices of chain stores, several states have passed laws forbidding merchants to use what are known as *loss leaders,* to attract business by selling commodities below their cost prices. Other states have forbidden merchants to sell certain nationally-advertised goods at less than the prices agreed upon with their manufacturers. Such state laws, of course, apply only to intrastate commerce. They are the opposite in their purpose from such federal laws as the Sherman Act, the Clayton Act, and the Robinson-Patman Act which apply to interstate commerce. Like the National Industrial Recovery Act these state fair-trade acts have protected big business. They have resulted from a change in public opinion, which has come to regard ruinous competition, not monopoly, as the chief threat to business stability.

D. Public Utilities

12. Nature and Illustration. In recent years, attention has been centered upon the regulation of public utilities, as well as private manufactures. Most public-utility companies are privately owned, but produce public services vital to the life of the community. They supply us with light, power, gas, transportation, and communication. Railroads are public utilities; they will be discussed in the following chapter on transportation and communication.

13. State Franchises and Public Service Commissions. Public-utilities companies engaged in intrastate commerce, that is, commerce within the state, are given the power to carry on their activities through franchises granted by the state in which they operate, in addition to the charters required when they incorporate. In general, public utilities are regulated by their respective states through the public-service commissions.

A Public Service Commission consists of a board of men whose number varies in different states. It is their duty to supervise utilities operating in the state, and to see that the public is supplied with efficient service at a reasonable cost.

14. Federal Legislation. In recent years the Federal Government also has enacted legislation regulating public utilities. Included in this legislation was the Water Power Act of 1920, which reserved to the Federal Government the authority to dispose of water power under the federal jurisdiction.

The depression following the stock-market collapse of 1929 and the losses suffered by investors through the failure of certain public-utility holding companies prompted the enactment in 1935 of the Wheeler-Rayburn Act. This act was designed to do away with some of the evils associated with the pyramiding of holding companies in public-service industries. It provided that a holding company might own stock in another holding company but that the process of pyramiding within public utilities might not go further. However, a holding company might continue to own stock in numerous operating companies.

Summary. For many years after the Revolutionary War, the American people depended upon England for most of their manufactured goods. However, the Napoleonic Wars and the War of 1812 stimulated the growth of American industry. The first half of the nineteenth century witnessed a steady expansion of the factory system in the United States.

Later in the century, as our country became more highly industrialized, large-scale production developed. There was an expansion in the size of individual manufacturing plants, rather than an increase in their number. Moreover, business firms began to unite in large combinations. Concentration of control followed expansion in size.

The combination movement may be attributed to the existence of a protected home market, a desire to eliminate competition, and an attempt to secure the advantages of large-scale production in manufacturing, marketing, or managing.

Combinations may be horizontal, vertical, or circular. The forms which combinations have taken are the pool, the trust, the holding company, and the single giant corporation, achieved by merger or consolidation.

The rise of big business has encouraged the development of monopolistic tendencies. These monopolistic tendencies have created a need for public regulation. Wise social control, in turn, will depend upon a knowledge and an understanding of the nature of monopoly. Monopolies may be classified as legal or natural, as capitalistic or labor, and as public or personal monopolies.

The Sherman Act, the Clayton Act, the Federal Trade Commission Act, the attempted National Industrial Recovery Act, and the Robinson-Patman Act are important examples of federal regulation of big business under the interstate-commerce power specified in the Constitution. The Federal Trade Commission has continued since 1914 to supervise the activities of large corporations engaged in interstate commerce, other than railroads and banks, which are subject to their own special federal boards of regulation. The fair-trade acts of certain states have been directed against ruinous competition in intrastate commerce.

Public utilities require a franchise, as well as a charter of incorporation. They are regulated, for the most part, by the Public Service Commissions of the various states. However, the Federal Government has enacted the Wheeler-Rayburn Act limiting the pyramiding of all holding companies engaged in interstate business.

Word Study: Commodities; discriminations, price manipulations; holding company, subsidiary company; pyramiding; pool, trust; merger, consolidation, combination; interstate commerce, intrastate commerce; charter, franchise; incorporate; embargo.

Questions on the Text

1. When did the industrialization of the United States really begin? What factors prompted it?
2. When did the combination movement begin? Why? How?
3. What are the advantages of large combinations?
4. What is a horizontal combination? A vertical combination? A circular combination? Illustrate each.
5. What are the usual forms of business combinations? Discuss each briefly. Why could not the members of a pool be compelled to live up to their agreements?
6. How were companies brought under the control of the Standard Oil Company? What happened to this arrangement?
7. What is a holding company? How does it differ from a trust?
8. What is a merger? What is a consolidation? Wherein are they similar? Wherein do they differ?
9. What is meant by the pyramiding of holding companies? What field of business has been particularly marked by pyramiding of holding companies? What has been done about it?
10. What is monopoly? What are the various kinds of monopolies? Give examples.
11. What led to the enactment of the Sherman Antitrust Act? What are some of its provisions?
12. Discuss the Clayton Act. The Federal Trade Commission.

Application and Interpretation

1. What commodities and services consumed by you this week were produced by big businesses? By small concerns? Why this difference in source?
2. What evidence is there in your community that big business has extended its operation to many fields?
3. In what lines of activity in your community does the small business prevail? Would these businesses be adapted to large-scale production? Why or why not?

4. What natural monopolies supply needs of your community? What legal monopolies? Are those monopolies justified? If so, Why? If not, why not?

5. What is the relation between a protected home market and large-scale production?

6. How do the rates for light, heat, gas, transportation, and communication in your community compare with those of some near-by communities? Can you explain some of these differences?

SUGGESTED ACTIVITIES

I. Plan an excursion to some public-utility company or other large corporation, such as the telephone, gas, or transportation companies, a steel mill, or an automobile plant, in order to see at first hand how a big business is operated. Prepare reports, oral or written, on this trip, and use these reports as the basis for class discussion.

II. Have a committee secure, if possible, a speaker or speakers familiar with industrial processes, such as the production of gas, electricity, glass, automobiles, or other industry located in your community.

III. Have a committee secure, if possible, movies showing the production of automobiles, glass, rubber, silk, or other commodities.

IV. Prepare talks on the following subjects:

1. Federal Trade Commission.

2. National Industrial Recovery Act: conditions which led to its enactment; its main purpose; and some of its effects.

3. Some by-products and their uses.

V. Have a committee report to the class on the regulation of public utilities in your state.

VI. Arrange for debates on the following topics:

1. Private versus public ownership and operation of public utilities.

2. Holding companies are necessary and desirable in public utilities.

VII. Draw cartoons illustrating:

1. Dependence of the modern home on light, heat, and power; on transportation and communication.

2. Some advantages of large-scale production.

3. Some objectionable practices of big business which have led to the passing of antitrust laws.

VIII. Have a committee look up and report to the class on the Tennessee Valley Authority as an example of government production of power. Use report as basis for a class discussion on the advantages or disadvantages of government control of power production.

COLLATERAL READINGS

BURCH—*American Economic Life;* Chap. XXVI, "Large Scale Production"; Chap. XXXIII, "Price and Monopoly."

FAY and BAGLEY—*Elements of Economics;* Chap. VIII, "Large-Scale Production, Combinations, Monopoly."

JANZEN and STEPHENSON—*Everyday Economics;* Chap. X, "Large-Scale Production and Management"; Chap. XI, "Monopolies and Their Control."

KEISTER—*Our Financial System;* Chap. XXIV, Part B, "Concentration of Financial Power"; Part C, "The Power of Finance over Industry."

SMITH—*Economics;* Chap. XII, "Large-Scale Production"; Chap. XXV, "Monopolies."

TUFTS—*The Real Business of Living;* Chap. XVII, "The Tendency toward Great Industries and Trusts."

ADVANCED READINGS

ATKINS and others—*Economic Behavior;* Chap. X, "Recent Tendencies in Ownership"; Chap. XI, "Power and Authority in the Corporation."

BOGART—*Economic History of the American People;* Chap. XXII, "Manufacturers and Industrial Combinations."

ELY—*Outlines of Economics;* Chap. XII, "Monopoly"; Chap. XIII, "Business Organization."

FAIRCHILD, FURNISS, BUCK—*Elementary Economics;* Vol. II, Part VI, "The Industrial Organization."

HANEY—*Business Organization and Combination.*

LAIDLER—*Concentration in American Industry.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Part VII, "Problems of Capitalistic Organization and Monopoly."

SLICHTER—*Modern Economic Society;* Chap. VII, "Large Business Units"; Chap. VIII, "Modern Business Organizations."

TARBELL—*History of the Standard Oil Company.*

WORMSER—*Frankenstein, Inc.*

CHAPTER VI

TRANSPORTATION AND COMMUNICATION

Objectives:

(1) To show the kinds of transportation and communication, their development, and importance.

(2) To indicate some of the attempts that have been made to solve the problems of transportation and communication through governmental regulation.

A. Importance of Transportation

1. Our Dependence on Transportation. Most individuals and communities specialize in the making of particular commodities and in the performance of specific services. We could not exist without the exchange of these commodities and services, and exchange would not be possible without transportation.

Transportation has made it possible for the individual and the community to obtain the goods they need to satisfy their wants. It has also enabled industries to send out their products over a wide market area and to receive in return raw materials and manufactured products. By increasing the size of the market area, transportation has promoted the development of our factory system, with its large-scale production and minute division of labor.

Transportation has helped to raise the standards of living in modern life by making available for the consumer a great quantity and variety of goods at a relatively low cost. It has made possible a wide distribution for the products of our mines, our forests, and our fields; it has afforded us the opportunity of using goods produced not only in our own country, but also in many parts of the world.

Our dependence upon transportation in modern life has been strikingly revealed to us in times of floods, earthquakes, and other catastrophes. An interruption of service, even for a short period, has caused inconvenience, distress, and disaster.

2. How Transportation Helped in the Development of the Nation. Transportation has influenced the development of our great natural resources and has opened up for exploration and development vast sections of our country. It has especially influenced the westward expansion of the American people.

By linking together the outlying sections and by facilitating communication, transportation has helped in creating political unity in the United States. Automobiles and improved roads have promoted social intercourse which has brought about an exchange of ideas. This has quickened people's interests in things beyond their own communities, and created greater sympathy, understanding, and tolerance. Thus transportation has profoundly influenced the course of our development; it still performs services which are vital to the welfare of our people.

B. Early Transportation

3. Natural Waterways. The important means of transportation during colonial times were the oceans, rivers, lakes, Indian trails, and river valleys. The Atlantic Ocean served as a highway to bring the settlers from Europe. Later, as Boston, Philadelphia, New York, and other seaport towns developed, the ocean was used for transporting goods along the coast.

The rivers along the Atlantic Coastal Plain served as means of enabling the colonists to travel farther inland. Later in the history of the country the rivers farther west and the Great Lakes assisted in the transportation of raw materials and manufactured goods. This was especially true after the invention of the steamboat.

4. **Colonial Roads.** The roads during the colonial period were very poor, and, at certain seasons, impassable. Travel over these roads was mainly on horseback and in coach. It then took longer to travel a hundred miles by stagecoach than it does today to go a thousand miles on railroad.

5. **Turnpikes.** The westward expansion of our country created a need for an improved means of transportation, not only for the purpose of carrying goods and passengers, but also to serve as a means of linking up the different sections of the nation. The construction of the turnpike roads marked the first step in improved transportation. The early turnpike roads were distinguished by gates or bridges where a tax or toll was collected. Later the name turnpike road was applied to any road maintained by the payment of tolls. These roads facilitated the transportation of passengers and commodities. They especially helped the people of the interior to dispose of their goods in the markets of the East. They did not, however, adequately meet the needs of the times. Transportation was still slow, difficult, and, because of the high toll charge, expensive.

6. **Canals.** Another effort to improve transportation was made through the construction of canals. The most important of these was the Erie Canal which was built by New York State and completed in 1825. It provided a water route from the Great Lakes to the Hudson River and thence to the Atlantic Ocean; it greatly reduced the cost of transportation. It was not only a means of extending our population into the West, but it was also a powerful factor in stimulating trade between the Middle West and the Atlantic seaboard. It carried food products from the farmers of the Middle West and enabled these

farmers to obtain manufactured goods from the East at greatly reduced prices.

The success which attended the construction of the Erie Canal stimulated Pennsylvania, Ohio, Massachusetts, Indiana, and other states to undertake similar projects. While the people were engaged in the building of canals, however, a new form of transportation, the railroad, appeared. The railroad displaced the canal, and became the basis of our modern transportation system.

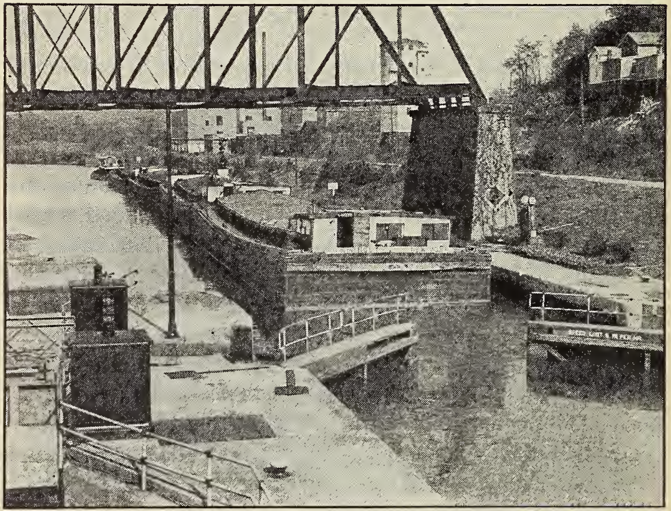


Photo from Ewing Galloway

Canal Locks at Lyons, New York
Much bulk freight is still carried on canalboats.

C. Railroad Transportation

7. **Invention of Locomotive.** The invention of the locomotive in England by Stephenson paved the way for the growth of the great railroad industry which has had such

an important influence on the development of our country. The first steam railway was operated in England in 1825. Trains ran at a speed of ten or twelve miles an hour and were used to carry coal. The year 1830 marked the beginning of railway systems in the United States with the opening of the Baltimore and Ohio Railroad.

8. Early Growth of Railroads. Like all new inventions, railroads at first were looked on with suspicion and even subjected to ridicule. The advantages of railroad transportation, however, soon became apparent; and both the states and the Federal Government encouraged its development with large grants of land and money.

The early railroads were mainly short lines, which were used to supply the needs of local communities. This made it necessary to change trains frequently in going from place to place. Later the need was felt for longer and more continuous lines. Railroads began to join together; it was not long before there was "through" transportation between the Mississippi and the Atlantic ports. "Through" lines were called trunk lines.

9. Later Development of Railroad Systems. The latter half of the nineteenth century was a period of great activity in railroad building. An important event was the opening in 1869 of the transcontinental railroad which joined the Atlantic and the Pacific Oceans. Railroad mileage in the United States expanded rapidly after that. In 1860, our total mileage was only thirty thousand miles; by 1880, it had tripled to over ninety thousand miles. Today, the United States leads the world in railroad mileage with a total of about a quarter million miles.

While the first railroads in the United States were operated by small independent companies, the later tendency was for them to combine into larger units called railway systems. This was done in order to obtain advantages and to render ''through'' services which were impossible for the small, local railroads. Today vast railroad systems supply the needs of various parts of the country.

10. Improvements in Railroad Equipment and Service. Our first trains were made up of a few, small, open coaches joined together. The tracks were clumsy, wooden rails with strips of iron nailed along the top. Travel was slow and uncomfortable, and smoke from the engine often blew into the faces of the passengers.

With the growth of railroad systems there came a steady improvement in equipment and service. Wooden rails were supplanted by iron rails. Today, trains travel on steel rails capable of sustaining heavy loads carried at high speed. Improved coaches and Pullman cars, more powerful engines, streamlined passenger trains, automatic couplings, airbrakes, vestibule cars, improved roadbeds, huge bridges, and automatic signals have added to the speed, safety, comfort, and efficiency of transportation.

Improvements in railroad construction and equipment, accompanied by greater efficiency in operation, brought about a reduction in the cost of transporting both passengers and freight. The reduction of freight rates was particularly important. Railroads were now able to transport quickly and cheaply the lumber, coal, iron ore, and other heavy materials so essential to the development of a new country.

11. Services of the Railroad. The railroads have influenced greatly the progress of our country. They have aided the development of our factories, our farms, and our natural resources. They have made possible the extending of the market area and the opening of vast territory for settlement. Today, despite the serious competition offered by other forms of transportation, the railroad continues to be the basis of our transportation system.

The extension of the railroads united the East and West more firmly together; it created a greater bond of interest between distant parts of the nation. Without the services of the railroad our far-flung country might have been broken up into a number of unrelated sections. The importance of the railroad's contribution in cementing the political union of the United States can hardly be exaggerated.

D. CHARACTERISTICS OF THE RAILROAD BUSINESS

In view of the important services rendered by the railroads, it is essential that the government should adopt a wise policy of regulation. Wise regulation of railroads depends upon enlightened public opinion, and enlightened public opinion depends, in turn, upon an understanding of some of those characteristics which particularly distinguish the railroad business.

12. **Railroads Are Public Utilities.** Railroads are privately owned, yet they perform a vitally important public service. They are our chief means of transportation, and we depend on them to a large extent for the satisfaction of our wants. Some lines of business could be dispensed with if necessary. In some cases the loss might be severe and the inconvenience great, but the normal life of a community could be carried on without any very great change. The loss of railroad service, however, would be an overwhelming misfortune.

13. **Magnitude of Railroad Industry.** The railroad is one of our largest industries. It employs over a million workers and has an annual payroll of almost two billion dollars. The railroad business represents an investment of billions of dollars in equipment. The prosperity of

railroads, therefore, is vitally important, not only to their employees and owners, but also to those industries which supply the railroads with equipment.

14. Special Privileges of Railroads. Railroads have been given large grants of land and money by the government. The government has also permitted them to take private property where needed for a railroad's right of way. The right of the government to authorize this condemnation and utilization of private property is called *eminent domain.* The owner is duly compensated for the loss of his property.

15. Decreasing Costs of Transportation. The expenses of a railroad are classified as fixed and operating expenses. A large portion of the expenses of any railroad are fixed expenses, such as interest charges and maintenance costs; they go on with little variation whether the railroad is doing a good or a poor business. As the traffic of a railroad increases, therefore, the per-mile transportation cost of a passenger or a ton of freight tends to decrease, and the profits of the company to increase. This is called the principle of increasing returns or decreasing costs. Operating under this principle, it is natural that railroads would desire to do as much business as possible on their invested capital.

16. Unchecked Competition Is Disastrous to Railroads. When two or more railroads operate in the same area, there is a wasteful duplication of expensive equipment and service. Because there will not be sufficient business to provide the necessary revenues for the competing railroads, each company will attempt to secure as great a share of the traffic as possible at the expense of its rival. In order to take business from competitors, railroads may lower rates to a point which does not permit the payment of operating costs. Not only will the companies be deprived of profits, but the public may also be deprived of good service and, eventually perhaps, of any service. Consequently the more business that one company can do with a certain equipment, the more efficiently and economically the public will be served. This is true not only of railroads in particular, but also of public utilities in general. A community may, in the long run, be served better by one telephone company and one gas company than by several competing concerns.

E. Governmental Regulation of Commerce

17. Distinction between Interstate and Intrastate Commerce. Congress has found it necessary to pass important legislative measures to regulate railroads and other means of transportation. The National Government has power to regulate interstate commerce, which is commerce among states, while the state governments have power to regulate intrastate commerce, which is commerce within states.

18. Source of Government Authority. The authority for federal regulation of railroads is contained in Article I, Section 8, Clause 3, of the Constitution, which states that "The Congress shall have power to regulate commerce with foreign nations, and among the several states, and with the Indian tribes."

19. Meaning of Commerce. The word commerce, as it was used in our Federal Constitution, did not have the meaning we associate with it today. The framers of our Constitution could not have foreseen the tremendous developments that would take place in transportation, nor the grave problems growing out of this, that would one day confront the American people. It has been necessary, therefore, from time to time, for the Supreme Court, in making its decisions, to define, and to redefine, the meaning of the term commerce. These definitions have usually tended to broaden the scope of federal authority and to limit the range of state control over commerce.

Commerce has been defined by the courts to include communication and transportation. Communication is the transfer of ideas, while transportation is the transfer of things.

Commerce does not usually include manufacture. Commerce changes the place of goods; manufacture changes the form of goods.

20. Reasons for Governmental Regulation of Railroads. Before 1870 the public had enthusiastically encouraged the development of railroads. Later, however, fierce competition developed; and in the struggle for business, railroads resorted to rate wars, pools, and bribery of public officials in order to secure special privileges and discriminations of various kinds. These practices aroused bitter antagonism against the railroads.

(*a*) *Discriminations.* Some railroads gave lower rates to certain favored localities or communities, in order to help railroad directors who had business interests in the favored localities. These discriminations placed at a disadvantage those industries located in towns or dependent on products which had to pay higher rates. Large firms were often given lower rates than small firms. This was done to divert the business of the large firms from competing railroads. It worked a great hardship on smaller shippers.

(*b*) *Rebates.* When the public became aroused over these discriminations, some of the railroads continued the practice but attempted to conceal it, by using a system called rebating. These companies would charge all shippers the same fixed rates, but at the end of a certain period they would refund to the favored shipper a portion of the charges in the form of a "rebate."

These abuses led to a demand on the part of the public for legislative remedies.

21. State Legislation. The first important measures regulating transportation were passed by the state governments. Resentment against the railroads was particularly bitter in the agricultural states of the West. The farmers there were dependent upon the railroads for the transportation of their farm products to the markets and also for the transportation of manufactured goods which were needed on the farms.

The railroads vigorously protested against these laws and claimed that they were an unjustifiable interference with private business. The Supreme Court, at first, decided that the railroads legally came within the scope of state regulation. Later, however, the Court decided that state governments had no power to regulate railroads whose operations extended beyond the state. Since the operations of most railroads were not confined within any one state, there was virtually no regulation of the greater part of the railroad industry. A demand then arose for federal regulation of the railroads.

22. Federal Regulation. (*a*) *Interstate Commerce Act.* In response to the demand for effective regulation by the National Government, Congress passed the Interstate Commerce Act in 1887. This act contained provisions for eliminating discriminations against persons, commodities, and places. It forbade pooling, rebating, and the charging of excessive rates. It also required that railroads should make public their fares and rates. Under the terms of this act, railroads were not permitted to charge more for a short haul than for a long haul, if the conditions of transportation were similar.

(*b*) *Interstate Commerce Commission.* A commission of five members, called the Interstate Commerce Commission, was to be appointed by the President with the consent of the Senate, to carry out the provisions of the Interstate Commerce Act. The Interstate Commerce Commission was handicapped, however, in its early efforts to correct unfair practices. While it could declare that the rates of a company were too high, yet it had no power originally to force the company to lower excessive rates. It had the power to investigate conditions, but had no power to enforce changes. Consequently the railroads continued to carry on their previous practices of issuing secret rebates and of attempting unfairly to influence legislation.

The National Government, by subsequent legislation, has steadily increased the powers of the Interstate Commerce Commission, until today it is one of the strongest regulative bodies in the United States. It is now composed of eleven members, appointed by the President with the consent of the Senate, to serve for a period of seven years. Today, this commission has the power to fix rates, to evaluate the property of railroads, to determine the conditions under which pooling may legally be allowed, and also to determine the conditions under which a railroad may charge more for a short haul than for a long haul. The Interstate Commerce Commission also has the power to investigate rates and to determine whether they are reasonable and fair. It also is empowered to compel certain railroads to use the same terminal, if such action is deemed advisable in the interests of efficiency and economy. Finally, the Interstate Commerce Commission supervises the sale of railroad securities.

(*c*) *Sherman Antitrust Act and the Railroads.* The government also invoked the Sherman Antitrust Act to dissolve railroad combinations which were held to be in restraint of trade. A holding company, called the Northern Securities Company, which was organized to get control of certain railroads, was dissolved in 1904. The combination of the Union Pacific and the Southern Pacific railroads was also dissolved in 1912.

(*d*) *Changes in Policy of Railroad Regulation.* An examination of governmental regulation will reveal that for a long period the policy was to prevent consolidation and to force competition. It was apparent that many of our legislators did not recognize the monopolistic nature of the railroad business. They failed to see that competition between the railroads was harmful, not only to the companies but also to the public.

(*e*) *Transportation Act of 1920.* In 1920, Congress passed the Esch-Cummins Act. This law was noteworthy because it indicated a change of policy in dealing with the railroads. It encouraged combination instead of competition. In accordance with the provisions of this act, the Interstate Commerce Commission made recommendations for consolidating or combining the railroads into a smaller number of systems. It was this act also which gave the Interstate Commerce Commission the power to supervise the sale of railroad securities and to decide upon the fairness of profits and rates.

(*f*) *Aiding the Railroads.* The condition of the railroads in the years of depression was critical. Many railroads were operating at a loss due to the general decline in business brought about by the depression, and also due to the loss of business suffered through competition with automobiles, busses, and trucks. It was necessary for the government to help the railroads by granting them financial assistance through the Reconstruction Finance Corporation. Congress also enacted in 1933 the Railroad Relief Bill which aimed to bring about greater efficiency and economy in the operation of the railroads, and to encourage greater co-ordination and co-operation among the different systems.

F. Governmental Operation and Ownership

23. Federal Operation of Railroads during the World War. When the United States entered the World War in 1917, our government was faced with the necessity of transporting quickly millions of men as well as vast quantities of munitions and other war materials. The task was stupendous, and America made a heroic response. In order to make the transportation of men and supplies easier, the Federal Government assumed control of the railroads in 1918. Governmental operation was continued until 1920, when the railroads were returned to their owners by the Transportation Act of that year.

Critics claim that there were inexcusable inefficiency and wasteful expenditure in the operation of the railroads during this period. The opponents of government operation of railroads and other public utilities use this experience as an example of the inevitable failure of government operation of industry. It must be remembered, however, that the railroads were taken over in 1918 as an emergency measure, during a severe national crisis, in order to help win the war. Undoubtedly many things were done then under governmental operation that would not constitute a fair test of the success of governmental operation of the railroads in normal times.

24. Proposal of Federal Ownership of Railroads. Government-owned railroad systems are found in many European countries, in Alaska, and in the Panama Canal Zone. In continental United States, however, the railroads are privately owned. The rapid growth of the country allowed no time to wait for the slow-moving machinery of government to get into action. Furthermore, from the very start, our people struck out for themselves, were impatient of restraint, and looked with disfavor upon any tendency of the government to curb their political, social, or economic liberty.

Not all students are agreed, however, that the policy of private ownership of the railroads serves the best interests of the American people. Many individuals feel that the government should own and operate the railroads. There are some who go so far as to advocate government ownership and operation, not only of railroads and other public utilities, but also of all large industries. This is the socialistic viewpoint.

25. Arguments for Governmental Ownership and Operation. Advocates of governmental ownership and operation claim many advantages for this system. They contend that the cost of operation under governmental ownership would be cheaper than it is under private management. Since the railroads would not be operated for profit, the saving thus obtained would result in cheaper passenger fares and lower freight rates. If the government should operate the railroads at a profit, this profit might be used to improve the equipment and to bring about increased efficiency in service.

Under public ownership and operation of the railroads, there might be less chance of serious disputes between the operators and the workers, who would probably receive higher wages and better treatment. Under private ownership, it is claimed that the desire to make as high a profit as possible induces the operators to obtain labor at the lowest possible wage. There is also a sharper division between the operators and the workers, and thus a greater danger of friction and misunderstanding.

Advocates of governmental ownership claim that it would eliminate certain abuses, such as stock manipulation and overcapitalization. A company is guilty of overcapitalization when it sells stock in excess of the company's assets, such as machinery, buildings, and money. It is also claimed that the government, due to its strong credit standing, could obtain funds when needed at a lower rate of interest than that charged private companies.

Finally, its advocates claim that, since governmental ownership and operation have been successful in many European countries, there is a strong likelihood that they would be successful in the United States.

26. Arguments against Governmental Ownership and

Operation. The opponents of governmental ownership of the railroads maintain that, since there would no longer be the incentive of private profits under governmental operation, the efficiency of the railroads would be reduced. Politics would enter into the selection of employees. Men would be chosen, not on the basis of their competence and efficiency, but because of their political affiliations. Under governmental ownership, it is argued, political corruption would be inevitable. Certain areas or companies would seek special advantages by means of political trickery.

Opponents of governmental ownership feel that it would not be possible to follow consistently for a long period any definite policy of railroad operation. Each new administration would bring in different ideas which would seriously disturb the existing policy. Opponents of governmental ownership and operation contend that the people would pay more, instead of less, for transportation service; and that they would receive poorer, and not better, service.

Railroads represent an investment of billions of dollars. In order to assume governmental ownership, it would be necessary to expend an enormous sum of public money for the purchase of the railroads. This would increase the public debt. Furthermore, in times of business depression, railroad deficits would have to be made up by the imposition of additional taxes.

Finally, opponents of governmental ownership point out that the standards of efficiency in the United States are very different from those in Europe. Service which satisfies the people of some European countries would be inadequate for the people of the United States.

27. Public Ownership and Private Operation. During the World War the railroads were operated by the Federal Government, although they remained under private ownership. The reverse situation also is possible;

namely, public ownership and private operation. This compromise arrangement has been effected in some places with certain utilities. A few large cities, such as New York and Philadelphia, for example, have municipally owned subways and municipally owned gas works, sometimes leased to private companies for operation. Some hydroelectric plants, such as those now being constructed by the Federal Government at Muscle Shoals, will be publicly owned utilities. They may be publicly operated or leased to private concerns for operation. The power produced there may be distributed by the Federal Government itself or sold to private companies for distribution to the ultimate consumer.

G. Motor Transportation

28. Automobile. (*a*) *Invention.* With the invention of the automobile came the beginning of a new means of transportation which was to have a tremendous influence upon American life. When "horseless carriages" made their first appearance in some of our cities, they were objects of amusement and ridicule. Within an incredibly short period of time, however, the automobile became one of our leading forms of transportation.

(*b*) *Increased Use.* In 1900, there were only eight thousand automobiles in use in the United States. Today, it is estimated that over four million cars are produced each year, and that more than twenty-five million automobiles, or almost one for every family, are registered in the United States.

The making of automobiles has become a huge industry, indeed, one of the largest in the world. It employs millions of workers, represents an investment of billions of dollars, and makes use of enormous quantities of raw materials.

(*c*) *Improvement in Motor Cars.* The first automobiles were simple, one-cylinder vehicles which traveled at a low rate of speed. The speed, power, comfort, and durability of automobiles have increased with the passing of years. It was not an unfamiliar sight a few decades ago to see a motorist changing a tire by the side of the road, or lying beneath his car, attempting to make repairs. Today tire and motor trouble are the exception rather than the rule.

29. Effects of the Wide Use of the Automobile. (*a*) *Advantages.* The automobile has given a large part of our population an added means of recreation. People are no longer tied to their own communities, but during holidays may travel hundreds of miles comfortably and conveniently. Over holidays it has been well said that "America is a nation in motion." This has had a tendency to educate and to broaden both the physical and the mental horizon. It has given people an opportunity to see new scenes and to meet more persons.

The automobile has enabled workers to live at remote distances from their places of business; this has promoted the growth of suburban communities. The automobile has also brought rural communities into closer contact with the city.

(*b*) *Problems.* Despite the many advantages of automobile transportation, the enormous increase in the use of motor vehicles has brought problems of a serious nature. The regulation of traffic, the provision of adequate parking facilities, and the relief of traffic congestion in narrow city streets are matters which today perplex the authorities of most American communities.

The very ease of movement which automobiles have provided has increased our crime record by enabling the criminal to make a quick getaway. The automobile has also exacted a heavy toll in accidents which have resulted in injury and loss of life. Who can read the lists of automobile accidents after a holiday without realizing that the automobile has brought banes as well as blessings?

30. Highways and Roads. (*a*) *Improvement.* With the rapid extension of the use of the automobile, there has come an insistent demand for improved highways. The deeply rutted roads of earlier days are disappearing. Today, there are great systems of excellent, paved highways, built and maintained at public expense. These highways accommodate not only the twenty-five millions of passenger cars, but also the more than three million motor trucks now in use.

(*b*) *State and Federal Aid.* Road building was formerly, in large measure, an activity of local governments. During the present century, state and federal governments have entered actively into the field of road building.

(*c*) *Effects of Improved Roads.* These improved roads in the United States have made possible the extensive use of motor vehicles. They have opened up sections of the country that were formerly difficult to reach. They have also increased the productivity of farm lands by making the marketing process easier and quicker.

31. Public Motor Vehicles. With the extension of well-paved roads, the use of busses and trucks has become increasingly important in interstate traffic as well as in city and suburban traffic.

(*a*) *Busses.* The passenger bus has taken the place of the trolley car in many of our cities; it has become an even more important factor in suburban and rural transportation. At present, even far-distant points of the United States are linked together by bus service.

The motor bus eliminates unsightly rails and dangerous overhead wires. It also speeds up transportation and makes impossible a congestion of traffic due to "blocks." An accident to one vehicle does not necessarily delay those which follow.

(*b*) *Motor Trucks.* The motor truck has become as important a factor in the transportation of goods as the motor bus has in the transportation of people. It carries much freight which was formerly carried by the railroads; for short hauls it can do this with greater convenience and economy to the shipper. The motor truck can transport its load from the manufacturer's warehouse to the customer's storeroom. The freight train, however, transports goods only from freight station to freight station. The shipper must provide for transportation from the manufacturer's warehouse to the freight station, and again from the freight station nearest his own place of business to his storeroom.

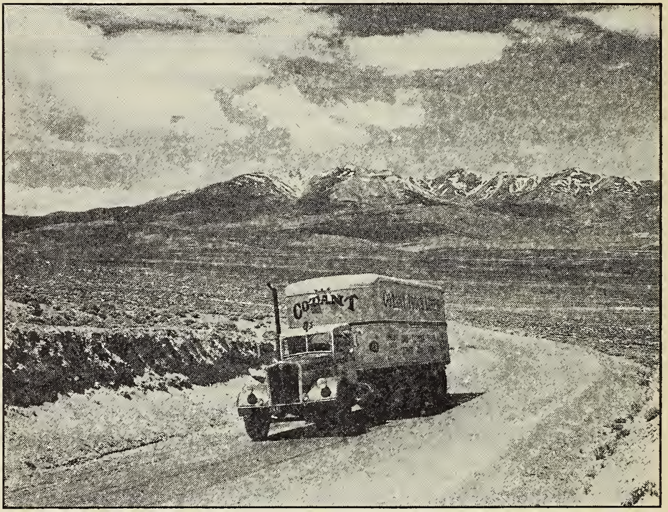


Photo from Ewing Galloway

Transcontinental Trucking across the Rockies
Motor trucks compete with the railroads in transportation of freight.

Some railroads have attempted to meet this competition by owning their own motor trucks and by providing "transfer," or door-to-door, service.

32. Motor Carrier Act. The interstate business carried on by trucks and busses increased rapidly and offered serious competition to the railroads. Trucks and busses were using the public highways, built and maintained by public money. This gave the motor vehicles an advantage over the railroads because the latter had to pay for the construction and upkeep of their own roads. Furthermore, heavily loaded trucks and busses were particularly destructive of highways.

For some time people had been demanding more effective regulation of the interstate business carried on by trucks and busses. In response to this demand, Congress passed the Motor Carrier Act in 1935. This act extended federal regulation over busses and trucks which carried on interstate business in passengers and freight.

H. WATER TRANSPORTATION

33. Waterways. It has been observed that waterways were important factors in the development of the United States. When the canals were displaced by the railroads as basic means of transportation, they fell into disuse.

In recent years, there has been an increased interest in our inland waterways, and attempts have been made to use them to greater advantage. The Federal Government has been particularly active in promoting waterway projects, in dredging harbors, and in widening and deepening rivers.

34. Advantages and Disadvantages. The principal advantage claimed for water transportation is that it is cheaper than other forms. It is especially advantageous in the transportation of heavy cargoes, such as lumber, coal, iron ore, and wheat.

Water transportation, nevertheless, has some disadvantages. It is slow and uncertain. Railroads are in operation throughout the year. During the winter months, however, many of the waterways may be frozen, and they may also be closed to traffic during storms and floods. Moreover, water transportation is limited in the scope of its service. Its facilities are usually available only to those who are located along the waterways. Railroad transportation, on the other hand, may cross mountains and deserts; it reaches many places inaccessible to water transportation.

Finally, water transportation is not always cheaper than rail transportation. It often becomes necessary to transfer goods, transported by water, many times before they reach their final destination. This transfer entails additional expense, which, in some cases, may total or even exceed the cost of transportation by rail.

35. Improved Water Routes. Many important water projects have already been completed; some have proved to be valuable channels of transportation. The Suez Canal, connecting the Mediterranean and the Red Seas, was the first intercontinental canal; it united Europe with Asia, and shortened considerably the sea voyage from England to India. The Panama Canal, which was opened to traffic in 1914, was one of the greatest engineering feats in the history of the world. It has been of great benefit to trade and commerce. Indeed, there has been a recent renewal of interest in old plans for the construction of a Nicaraguan Canal, as a supplement to the Panama Canal.

Many American canals have greatly shortened traveling distances. Among them are the Sault Ste. Marie, which connects Lake Huron and Lake Superior; the Cape Cod Canal, which shortens the distance between

Boston and points south along the Atlantic Coast; the New York State Barge Canal; and the Welland Canal, which connects Lake Erie and Lake Ontario.

Many European countries have developed even more extensive networks of canals; they are important supplements to their railroad systems. China has long depended on her ancient canals for transportation in the interior of the country.

36. Recent Proposals for Improving Our Waterways. Some interesting proposals have been made in recent years for improving our waterways.

One suggestion has been to construct a series of canals, utilizing such natural waterways as the Chesapeake Bay, the Delaware River, the Hudson River, and Long Island Sound. By means of such an inland waterway, ships could go from New England to the South without going out into the Atlantic Ocean.

Another proposal calls for the construction of an additional north and south waterway from the Great Lakes to the Gulf of Mexico, using the Mississippi River and its tributaries, dredging where practical and building canals where necessary.

Another project, which has aroused considerable interest, is the proposed St. Lawrence Waterway from the Great Lakes to the sea. This undertaking might be used not only to provide transportation but also to generate electric power. This power might be furnished by the construction of great dams. A bill was proposed in Congress to promote this project, but it was defeated.

I. Air Transportation

37. Invention of the Airplane. For centuries man had not only dreamed of flying in the air, but also had made efforts to do so. It was not until December, 1903, however, that the Wright brothers, at Kitty Hawk, North Carolina, made the first successful flights in a heavier-than-air machine. While these experimental flights lasted only a short time and covered only short distances, nevertheless they were sufficiently successful to demonstrate the practicability of the airplane as a possible means of transportation.

38. Achievements during and after the World War. The World War gave a strong impetus to the development of aviation. The airplane proved its usefulness during the war, both for fighting and for scouting. Since that time the development of aviation has been rapid. The world has been thrilled many times by the startling achievements of aviators who have dared death to further the progress of aviation. In May, 1927, the flight made by Charles A. Lindbergh from New York to Paris drew the attention of people throughout the world to the possibilities of the airplane for long-distance, commercial transportation.

39. Improvements in and Increased Popularity of Air Travel. Great improvements have been made in the construction of planes. These improvements have resulted in greater speed, comfort, and safety. Airports and landing fields are now located in or near most of the large cities of the United States. Each year, increasing numbers of people are using the airplane as a means of transportation. Its great speed is a particular advantage for the businessman and for others to whom time is especially valuable. Commercial routes have been established by most of the large countries. The airplane has also proved to be of great service in carrying mail and in transporting light merchandise.

40. Special Uses of Airplanes. In times of emergency, the airplane has rendered valuable assistance. It has been used to carry physicians, nurses, and medicines to areas stricken by disease, earthquake, fire, or flood. Patients have been carried thousands of miles for treatment at hospitals. Food has been brought to communities and to individuals who have been cut off from their base of supplies.

In recent years, airplanes have been used in tracking down criminals. They have also been employed in patrolling forest areas and in combating forest fires. Airplanes have been used to preserve crops against insect pests by spraying cultivated areas with insecticides or by flooding them with poison gas.

International News Photo

AN EMERGENCY USE OF THE AIRPLANE

When every minute counts, airplane ambulances are often used to carry patients long distances.

Because airplanes can fly over dense forests, jungles, and areas that cannot be reached by other means of transportation, they have been used in the work of exploration and discovery. The airplane has also made possible the remarkable development of aerial photography.

41. Future Development of Aviation. Aviation is in its infancy, and there are still many difficulties to be overcome. Nevertheless, it is safe to predict that the airplane will become an increasingly important factor in the transportation of commodities and passengers. It will help also to increase contacts among the different peoples of the world and to bind the world more closely together. Commercial air service is now available between the United States and Europe.

42. Lighter-than-Air Craft. Some nations have made efforts to develop lighter-than-air machines, called dirigibles. During the World War Germany used Zeppelins for scouting and bombing. After the war she continued with considerable success to build and operate lighter-than-air craft for commercial purposes. However, the famous dirigible, the *Hindenburg,* was destroyed in May, 1937, after having made numerous trips between Europe and both North and South America.

Private companies have not engaged very actively in the construction of dirigibles for commercial purposes. So many dirigibles have met with disaster that it has tended to discourage interest in their construction.

43. Civil Aeronautics Authority. In 1938 the Civil Aeronautics Authority was created by an act of Congress and given considerable control over air transportation in the United States.

J. COMMUNICATION

The telegraph, the telephone, and the radio were invented about a generation apart. They have become invaluable assets in our economic, social, and political life.

44. Telegraph and Cable. The telegraph was invented by Samuel F. B. Morse. The first line was opened in 1844 between Baltimore and Washington. It was not many years before thousands of telegraph wires were in use throughout the United States. The successful installation and operation of the Atlantic Cable in 1866 made possible instantaneous communication with Europe; it made international contacts clearer and closer.

45. Telephone. The telephone was invented by Dr. Alexander Graham Bell. It was first exhibited to the public at the Centennial Exposition in Philadelphia in 1876. By the opening of the twentieth century, there were over a half million telephones in use, operated by the Bell system. In 1938, the number of telephones in use in the United States was almost twenty millions.

46. Advantages of Communication by Wire. The telephone and telegraph save time, energy, and expense. They have facilitated the operation of business, and in times of distress they have been the means of bringing relief to those in need. The telephone is an asset in carrying on the everyday activities of community life. Before the invention of the telephone and telegraph, it required weeks and months to carry out a business transaction that is now accomplished in a few minutes by means of a single telephone or telegraph message. The main office of a large industry is able to keep in intimate touch with its numerous branches, located hundreds or even thousands of miles away. Business officials no longer find it necessary to travel long distances in order to meet prospective customers or to know the conditions of distant markets.

In the marketing both of commodities and securities the telephone and the telegraph have been invaluable. They enable buyers and sellers to know the prices and conditions that are prevailing in organized markets throughout the world. These inventions have been particularly helpful in the efficient operation of the railroads.

The telephone and telegraph have also helped to link up the outlying sections of our country. They have made the spread of ideas quicker and easier. They have tended to break down sectionalism, and thus have brought about greater political unity. In times of emergency, by providing instant communication with the sources of relief, they have been the means of bringing help to victims of disaster.

47. Radio. (*a*) *Invention.* The first wireless signal was sent across the Atlantic by Guglielmo Marconi in 1901. This was the forerunner of the radio, as we know it today. Seated at our own fireside we can listen to accounts of events that have taken place in the world about us. We can "tune in" on a football game, a symphony concert, a scientific lecture, a political speech, or discussions on matters of public interest. We can also hear the news of the world summarized briefly for our benefit by news commentators.

(*b*) *Benefits of Radio.* The radio brings promptly and conveniently to the businessman weather reports and crop reports, as well as information about price changes and conditions of markets. It has also become a great factor in modern advertising. The radio dispels loneliness and isolation. A century ago, during the winter especially, a small community was practically cut off from the rest of the world. Today, improved means of communication make it possible for the individual in a small community to know what the world at large is doing, wearing, and thinking.

In times of peril, the radio has been of inestimable value in saving life and property. It has brought help to ships in distress at sea. It has also performed valuable service in relieving stricken individuals and communities during floods, droughts, tornadoes, and epidemics. Warnings of impending disaster, such as floods or hurricanes, can be broadcast to communities that are liable to be endangered.

48. Television. The transmission of pictures or images by wireless is also one of the startling achievements of modern science. Successful experiments indicate that this remarkable invention will play an important part in the society of the future.

49. Communications Act. In 1934, Congress placed the regulation of the telephone, the telegraph, and the radio in the hands of the Federal Communications Commission. It was created by the Federal Communications Act to regulate interstate communication agencies other than the mail in a fashion similar to that in which the Interstate Commerce Commission regulates transportation. Formerly the telephone and telegraph had been under the control of the Interstate Commerce Commission. The radio had been under the supervision of the Radio Commission.

Summary. Transportation has been an important factor in the development of our country; it now performs vital services in our interdependent society. It has helped to raise the standard of living, to cheapen and stabilize the price of goods, and to make available for the masses of people a greater variety and quantity of goods. It has tended to unite our country politically, economically, and socially.

Territorial expansion, growth of population, and increased trade and commerce created a need for improved means of transportation. Turnpike roads represented the first deliberate attempt to improve transportation conditions. Later, people devoted their attention to building canals. The most famous of these was the Erie Canal.

Canals were quickly displaced by railroads. Railroads not only aided materially in the development of the United States, but they also still perform indispensable services; they are the present basis of our transportation system.

Railroads are distinguished by certain outstanding characteristics. They are public utilities and essential to social welfare. They have been granted special favors in the form of land and money by state and federal governments. Railroads are natural monopolies, and unchecked competition is especially harmful to them. They are huge industries representing the investment of billions of dollars and employing more than a million workers.

Because of railroad discriminations and abuses, cries arose for governmental regulation. The state governments passed the first regulatory measures. The inadequacy of these state laws led to a demand for federal legislation. In 1887, the National Government created the Interstate Commerce Commission, which was granted certain powers in the hope of eliminating some undesirable practices carried on by the railroads.

The early policy of the government was to prevent pools and combinations. Today, the government encourages consolidation among the railroads.

From 1930 to 1935, the railroads were in serious difficulties, due to the severe competition afforded by other means of transportation and to the loss of business through the depression. The government gave aid to the distressed railroads through the Reconstruction Finance Corporation, and through other legislative enactments.

Other forms of transportation, such as the automobile, the truck, the bus, and the airplane have become increasingly important, and have had a remarkable influence on modern life.

Improved means of communication, such as the telegraph, the telephone, and the radio are also valuable assets of our interdependent society. The Federal Communications Commission was created in 1934 for their regulation.

Word Study: Turnpikes, toll; eminent domain; commerce, transportation, communication; rebates, deficits; nationalism, sectionalism; trunk line, subsidiary line; discrimination, consolidation.

Questions on the Text

1. How did transportation aid the development of the United States?

2. What was the first step in improved transportation in the United States? Discuss later steps.

3. Why was the Erie Canal an important waterway? The Panama Canal? The Suez Canal?

4. Describe the development of railroads in the United States. How have railroads assisted national progress?

5. Why is unchecked competition harmful to the railroad? To the community?

6. What do you understand by fixed expenses, operating expenses, and decreasing costs in the railroad industry?

7. What practices carried on by the railroads after the War between the States led to the demand for governmental regulation of the railroads? Explain each of them briefly.

8. When was the Interstate Commerce Commission created? Why? What are some of its powers?

9. What are the functions of the Federal Communications Commission? When was it created? Why?

10. Have the decisions of the Supreme Court tended to increase or limit federal authority over transportation? How? Why?

11. How has the attitude of the government changed regarding the question of railroad consolidation? Why?

12. What difficulties did railroads encounter during the great depression? How did the government aid them?

13. What services are rendered by the automobile? The bus? The truck? The airplane?

14. What are some problems that have grown out of the wide use of the automobile, the truck, and the bus?

15. Name some of our important artificial waterways. Some

proposed artificial waterways. Defend or criticize their construction.

Application and Interpretation

1. Could any form of transportation in your community be dispensed with? If so, what and how? If not, why not?

2. Name some wants of yours which could not be supplied without the aid of transportation.

3. How has transportation raised the standard of living in your community?

4. What services are rendered by the telephone, the telegraph, and the radio to the businessman in your community? To the housewife?

5. What services have been rendered to your community by the radio in normal times? In times of emergency?

6. How has the automobile influenced the growth of suburban districts?

7. How have modern means of transportation and communication aided the criminal? The law-enforcement authorities?

Suggested Activities

I. Have groups arrange for trips to a telephone company, a telegraph company, a radio station, a television set, a modern streamline train, an ocean liner, an airport. Make oral or written reports on excursions and use these reports as bases for class discussions.

II. Secure, if possible, a speaker or speakers whose work lies in the field of transportation or communication.

III. Secure movies, if possible, showing development of any of the forms of transportation or communication.

IV. Prepare talks on the following topics:

1. Natural catastrophes which have revealed the importance of transportation and communication.
2. Story of the telephone; the telegraph; the radio.
3. Story of the automobile; the airplane.
4. Some historic flights by airplane.
5. Advantages and disadvantages of waterways.

V. Have a group or committee investigate:

1. Parking conditions in your community, with recommendations for improvement.

2. Accidents due to motor vehicles, with recommendations for reducing the number of accidents.

3. Progress of television, with report to class.

VI. 1. Have two pupils present an imaginary interview between Christopher Columbus and Charles Lindbergh on transportation.

2. Between Franklin and Marconi on communication.

VII. 1. Assemble in successive order in your scrapbook pictures, original cartoons, charts, and diagrams illustrating the development of transportation in the United States.

2. Do the same for improvements in communication.

VIII. On an outline map indicate the location of some of our principal natural and artificial waterways; some of our principal highways; some of our trunk railways; and some of our chief airlines. Use different colors or types of lines.

IX. Have a committee arrange for an exhibit of airplane, automobile, or ship models.

Collateral Readings

ATKINS and WUBNIG—*Our Economic World;* Chap. VII, "The Railroad."

BAARSLAG—*S-O-S to the Rescue.*

BURCH—*American Economic Life;* Chap. XXX, "Regulation of Railroads."

EARHART—*20 Hrs., 40 Min.*

FAULKNER and KEPNER—*America, Its History and People;* Chap. XXIII, "The Arteries of the Industrial Giant."

FAY and BAGLEY—*Elements of Economics;* Chap. X, "Transportation."

FRASER—*Heroes of the Air.*

HODGINS and MAGOUN—*Sky High.*

JANZEN and STEPHENSON—*Everyday Economics;* Chap. XX, "Transportation."

LINDBERGH—*We.*

MARSHALL—*Readings in the Story of Human Progress;* Chap. VIII, "Multiplication of Powers by Conquering Distance," pp. 279–287, "Good Roads."

PERRET—*Man's Work and World;* Chap. XIII, "Transportation and Communication."

ST. CLAIR—*Transportation.*

THOMPSON—*High School Economics;* Chap. XV, "Land, Water, and Air Transportation."

VAN METRE—*Trains, Tracks, and Travel.*

ADVANCED READINGS

ELY—*Outlines of Economics;* Chap. XXVIII, "Transportation Economics."

FAULKNER—*American Economic History;* see Index.

HINSHAW and ALBIG—*Stop, Look, and Listen.*

JOHNSON, HUEBNER, and WILSON—*Principles of Transportation.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Chap. XXIV, "Development of the Railroads and Their Federal Control"; Chap. XXV, "Recent Problems of Transportation and Communication."

WELLS—*Work, Wealth, and Happiness of Mankind;* Vol. I, Chap. III, "The Conquest of Distance."

REFERENCES

American Telephone and Telegraph Co.—*Bulletins.*

Committee on Public Relations of the Eastern Railroads—*Yearbook of Railroad Information.*

Radio Corporation of America—*Reports.*

United States Civil Aeronautics Authority—*Bulletins.*

United States Department of Commerce, Air Information Division—*Bulletins.*

United States Interstate Commerce Commission—*Reports.*

CHAPTER VII

MARKETING COMMODITIES AND SECURITIES

Objectives:

(1) To show the nature and development of marketing, and the place of the middleman in the distribution of goods.

(2) To explain the work carried on by organized exchanges.

A. Importance of Marketing

1. Meaning of Marketing. Marketing is the economic process which supplies us with the numerous and varied goods that are now produced. It is the pathway along which the goods produced in our factories and on our farms must travel in order to reach the consumer. In our complex society it would be impossible for the consumer through his own efforts to obtain the fruits, shoes, automobiles, clothing, meat, milk, and other commodities necessary to satisfy his many wants.

Before the consumer can use these goods, they must be supplied with an additional usefulness. They must be graded, sorted, packed, stored, shipped, and be put through many processes before they are ready for consumption. Many individuals and groups of individuals specialize in the work of creating this additional usefulness. The most important of them are the retailer, the wholesaler, the commission merchant, the jobber, the banker, and the transporter. They are called middlemen because they go between the manufacturer or farmer and the consumer.

A simple example of the number of processes through which a product must go before it reaches the consumer is that of wheat grown by the farmer and bread eaten by the consumer. The crop of wheat as it stands serves no useful purpose to the hungry consumer. Before this grain becomes a loaf of bread in the hands of the housewife, it must be harvested, stored, sold, and transported to the miller who grinds it into flour. The flour is then sold and transported to a wholesaler who, in turn, sells and transports it to a baker. The baker manufactures this flour into loaves of bread which are bought by the grocer and finally sold to the housewife.

2. Development of Marketing. During the hunting and fishing stage of man's development, the family was the economic unit. Each group produced for its own use, and not for sale. Consequently there was little marketing or trading of goods. Exchange began to take place as man improved production and increased specialization. Even during the agricultural stage, however, production was limited mostly to local consumption; there was little surplus for sale or exchange.

During the handicraft stage, man began to specialize in his work. He began to make things not only for his own use but also for sale. With the production of goods for the market, new tendencies revealed themselves. Manufacturers could not devote themselves to both the making and the marketing of goods. Tradesmen and merchants appeared who took upon themselves the task of bringing together producer and consumer. While manufacturers specialized in the making of commodities, merchants specialized in the marketing of them.

3. Specialization and Marketing. The specialization which became so marked during the handicraft stage was still further intensified by the Industrial Revolution and by the growth of the factory system. The increased use of machinery, improved means of transportation, and the enlarged market area resulted in a tremendous increase in the production of goods.

The use of machines also brought about a greater variety of occupations; it still further increased specialization and interdependence. Not only individuals, but also whole communities specialized in the production of certain commodities. This intensive specialization created a still greater need for individuals who would serve as agents to bridge the gap between the producer and the consumer. The individuals who perform the services necessary to bring producer and consumer together are the merchants or middlemen.

B. Merchants or Middlemen

4. Place of the Merchant in Our Interdependent Society. It is the merchant who makes specialization possible. By becoming a specialist in the distribution of commodities, he leaves the farmer and the manufacturer free to specialize in growing crops or manufacturing goods. If the primary producer had to spend part of his time seeking markets and studying prices, it would detract from his efficiency as a producer. With the primary producer, such as farmer, miner, or manufacturer, concentrating in his field, and the secondary producer, such as merchant or middleman, concentrating in his, both making and marketing become more efficient. Production, therefore, is increased and improved; distribution, therefore, becomes swifter and smoother.

5. Functions of Merchant and Middleman. The merchant is familiar with the general conditions and the specific requirements of markets. He keeps in touch with changes in supply and demand which make for variations in price.

In addition, the middleman performs certain specific merchandising functions. One group of middlemen store goods until they can be sold advantageously; others transport goods from the producer to the purchaser; others grade and pack goods in sizes and quantities convenient for the consumer; while still others create a demand for goods through advertising. In many cases, the middleman buys the entire output of farmers or manufacturers, assuming the risk of disposing of it at a profit.

In short, the middleman brings together the members of our economic society who depend upon each other through commerce; he converts individual specialization into social co-operation. Again, he supplies the additional usefulness which makes the goods produced in the factory and on the farm available for the consumer in finished form, in convenient manner, and in accessible places.

6. Kinds of Middlemen. The retailer, the wholesaler, the broker, and the commission merchant are middlemen who perform important marketing services.

(*a*) *Retailer.* The retailer is the merchant who deals personally with the consumer. He is an especially important factor in the marketing process because, of a long line of middlemen, he is usually the only one who deals directly with the consumer.

(*b*) *Wholesaler.* The wholesaler brings together the manufacturer and the retailer, and renders important services for both. He buys goods in large quantities from the manufacturer and sells them in smaller quantities to the retailer. By keeping abreast of market changes, by discovering the requirements of different communities, by anticipating demands, he is able to dispose of large quantities of goods for the manufacturer and to supply the retailer with the commodities desired by his customers. The wholesaler extends credit to the retailer and sees that goods are distributed at points where the demand for them exists. By keeping on hand a large supply and a great variety of goods, he relieves the retailer of stocking up heavily.

Jobbers are wholesalers who specialize in odd lots; that is, in small quantities, in odd sizes, and in irregular lines. The term *jobber,* however, is often applied to any *wholesaler.* Jobbers are sometimes both retailers and wholesalers in their particular lines.

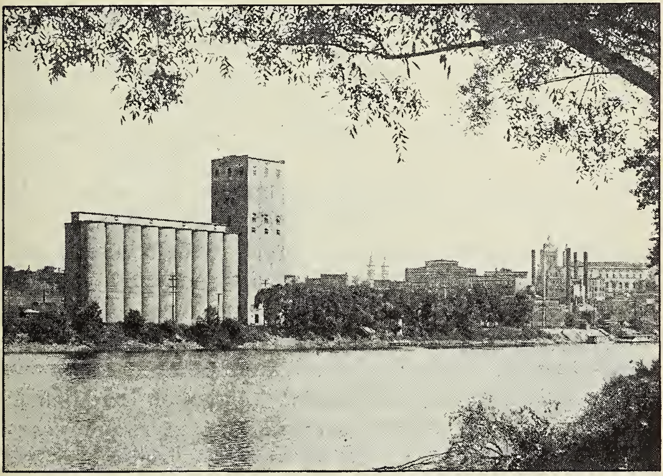


Photo from J. C. Allen and Son

A LARGE GRAIN ELEVATOR AT SAINT PAUL, MINNESOTA
Grain elevators play the part of middlemen by storing goods until times of scarcity when the demand is great.

(*c*) *Broker.* The broker is a middleman who acts as an agent for others; he buys and sells in response to their orders. For these services he receives a fee, called a *commission.* There are brokers who deal in stocks and bonds and brokers who deal in commodities.

(*d*) *Commission Merchant.* The commission merchant markets the products of farmers and receives a commission for disposing of them. He selects, classifies, and stores agricultural products, in addition to selling what he can of them.

7. Other Middlemen. Other individuals or groups, because of the nature of their work, may also be classified as middlemen. Transportation agencies are middlemen because they transport goods to the places where they can be used most advantageously. They are instrumental in creating place utility by moving goods from places of plenty to places of scarcity. Similarly, cold-storage houses and grain elevators create time utility, by carrying goods over periods of plenty to times of scarcity.

Financial institutions act as middlemen when they supply funds for the marketing of goods. In making it possible for people to secure credit with which to get possession of goods they help salesmen create what is known as ''possession utility.'' Insurance companies also perform services as middlemen when they insure goods against flood, fire, theft, and other dangers.

8. Criticisms of Middlemen. Although middlemen perform many necessary services, yet in recent years they have been the subject of severe criticism. Some critics maintain that there are far too many steps between the primary producer and the final consumer. They feel that the high cost of living has been brought about because of the large number of individuals who are charging fees for services which add little or nothing to the usefulness of commodities.

Critics contend that there are too many retail stores; that this necessitates duplication of effort and results in an added cost to the consumer. Excessive advertising, the system of charging, and the extravagant services rendered to the customer by some of the large stores have been severely criticized. It is claimed that these practices are not only wasteful, but also that they result in high costs to the consumer.

C. Retail Merchandising

9. Retail Store. The retail store is perhaps the best known of all types of marketing establishments. Almost every day we have some reason to go to a retail store. The retailer is the last in a long line of middlemen who have handled the goods we use. From him we get our butter, eggs, drugs, shoes, hats, watches, meats, baseballs, furniture, coal, and practically all of the goods we consume. He stores these goods for us and keeps them in convenient sizes and quantities. Without the services of the retail store it would be necessary for each home to be practically self-sufficient or to go to distant sources of supply to satisfy its needs.

10. Chain Store. (*a*) *Development.* While the chain store is a familiar sight in our towns and cities today, it is a recent development in the marketing process. Chain stores have entered many fields formerly monopolized by the retail concern or the single operator. There are chain systems operating groceries, drugstores, restaurants, five-and-ten-cent stores, moving-picture theaters, hotels, and many other lines of activity. Some chains confine their operations to a single community, while others cover a field national or international in scope. Some of these systems have developed into huge organizations doing a tremendous business annually.

(*b*) *Advantages.* Chain stores claim some distinct advantages for the consumer. Because of the large scale on which they operate, chain stores are able to buy goods more cheaply than the independent retailer can do; in many instances, they can go directly to the manufacturer without having to deal with middlemen. The efficiency of their organization enables chain stores to eliminate many wastes that come through bad management, poor accounts, and expensive delivery systems. These advantages they pass on to the consumer in lower prices.

Chain stores also maintain that they can carry a greater variety of goods than the small retailer. Through the employment of experts who study the wishes of the consumer, they can more adequately gratify old wants and more effectively create new wants.

(*c*) *Criticism of Chain Stores.* There are some, however, who oppose the operation of chain stores. These individuals deny that the chain store is more efficiently operated than the independent retail store. They contend that the low-salaried employees of chain stores are less interested in satisfying the needs of consumers than are the individual proprietors of independent stores. It is also maintained that the chain systems are operated by owners who are far removed from the stores themselves and that profits which should remain in the community are sent to distant places.

Small retailers, it is claimed, come into close contact with their customers, learn their needs, and in order to satisfy these needs, are willing to perform such services as delivery and extension of credit, which are refused by many chain stores operating on a strictly cash-and-carry basis. By combining to purchase their products, cooperative but independent retailers feel that they can secure the same price advantage as chain stores.

11. Department Store. The department store is, in reality, a number of stores under one control. Shoes, hats, clothing, toys, cosmetics, hardware, furniture, books, novelties, and food may all be sold in one establishment. The department store provides a large variety of goods and a wide price range from which the customer may make his selection. It not only buys goods in large amounts from the producers, but it also manufactures some of its own commodities. This eliminates middlemen, gives greater efficiency, and reduces costs of goods for the consumer.

It is argued, however, that the price advantage enjoyed by the large department stores because of their quantity buying is more than offset by their tremendous overhead, excessive advertising, and such extravagant services for the customer as rest rooms, goods sent on approval, delivery service, and maid service for children while mothers shop.

12. Mail-Order House. The mail-order house represents another effort to supply the consumer with low-cost goods through the elimination of middlemen. The operators of the mail-order house buy in large quantities, manufacture some of the goods which they sell, and buy up the output of other producers. Sales are made by means of illustrated catalogues. These catalogues enable the prospective customer to identify easily the goods which he wishes to purchase. On convenient forms he can order by number the goods which are promptly sent to him by express or parcel post.

The mail-order house, even more than the chain store, has been attacked because it takes money out of the community. Some people claim that the values offered by the mail-order house are no better than those afforded by the local retailer. Other objections are that the mail-order house lacks the intimate services performed by the retailer, and that goods cannot be inspected before they are bought. These objections, however, have been somewhat offset in recent years by the establishment of local branches which are, in effect, department stores. Increased use of the automobile and improved road construction have favored such personal purchasing at local branches.

13. Direct Sales to Consumer. The direct sale of goods from producer to consumer is the simplest form of marketing. This is carried on by some manufacturers, especially those engaged in the production of specialties. Illustrations are some brands of silk hosiery and certain kinds of household articles such as brushes, cleaners, and cooking utensils. Modern canvassers, like ancient peddlers, solicit business from door to door, but they generally carry one line of goods and not general merchandise.

Some farmers, also, sell their fruits, vegetables, and poultry directly to the consumer. The roadside stands which we pass on the highway are familiar examples of this direct form of marketing. Another type is the curb market of small towns to which local farmers drive on market days to dispose of their produce.

ESH FROM THE FARM

Photo from Ewing Galloway

A Roadside Fruit and Vegetable Stand

This direct-to-the-consumer selling is the simplest form of marketing.

14. Co-operative Marketing. A co-operative society is an organization of consumers or producers who have pooled their efforts to bring about more efficient and more direct marketing through the elimination of middlemen. Co-operatives will be discussed later in a special chapter.

D. Nature and Scope of Markets

15. Meaning of Markets. When one employs the word *market,* he usually refers to a place where goods are bought and sold. This is, in reality, a market place. The term *market* in economics is used to indicate a transaction or a number of transactions that take place between individuals where goods change ownership. When a buyer and a seller agree to exchange commodities or securities at a definite time and for a particular price, it may be said that a market exists. At a particular time, for a certain good, and within a specific market, one price tends to prevail. Of course, market prices for a good vary from market to market and change from time to time.

16. Extent of Market Area. Markets may be local, national, or international. A local market is one in which the existing price is peculiar to that particular locality. Thus, we often find that the prices of amusements, eggs, poultry, vegetables, and streetcar fares vary from place to place because they are determined by local conditions of supply and demand.

A national market is one in which there is a tendency for the prices of the same commodities to be uniform throughout the country. Illustrations are such nationally known brands of goods as cigarettes, radios, automobiles, and electric refrigerators. This uniform price is only a tendency, however, as prices in different sections of the country may be influenced by costs of transportation and by local and state taxes.

Some commodities show a tendency to sell throughout the world at the same price, except for transportation costs and tariff charges. This is called a world market;

it exists for such staple products as wheat and cotton. World markets exist because certain products are universally desired, because they keep well and can be stored or transported easily, and because improved methods of communication have made it possible for even a slight change in their prices to be known and acted upon almost instantly over the entire civilized world.

E. ORGANIZED EXCHANGES

17. Nature and Types. In order to facilitate the buying and selling of commodities and securities in an orderly manner, institutions called *exchanges* have been established. Exchanges are highly organized markets, where trading is governed by definite rules and limited to members of the exchange known as brokers.

There are two chief types of exchanges or organized markets: produce exchanges and stock exchanges.

18. Produce Exchanges. (*a*) *Illustrations.* Produce exchanges have been established in important cities of the United States and foreign countries for the trading of wheat, cotton, sugar, hides, and other staple commodities. The most important exchange for the trading of wheat is the Chicago Board of Trade. Other commodities also are traded on this exchange. The most important cotton exchange is that located in Liverpool. Other important produce exchanges are the New York Produce Exchange and the New York Cotton Exchange. As indicated by their names, some of these exchanges are general, but others are specialized; some permit trading in many kinds of produce, but others limit trading to one or two particular staples.

(*b*) *Practices.* Organized produce exchanges are governed by detailed rules and regulations. Trading is limited to brokers who are members of the exchange. If an outsider desires to trade, he must seek the services of a member broker who will buy or sell for him on the floor of the exchange.

The commodities traded in are not brought to the exchange. Warehouse receipts for cotton, wheat, and other commodities are exchanged, while the goods themselves remain in storage until actual delivery is called for. These great staples of commerce are classified and graded before storage; they are inspected before delivery to make sure that the quantity and quality are as specified. Samples are taken for closer analysis. Meanwhile trading is done by means of standardized descriptions, such as winter wheat grade number one. Traders on the produce exchange can be reasonably sure of getting what they buy, should they wish to convert their warehouse receipts into actual commodities. They can never be sure, however, of the price, which varies from day to day and even from hour to hour.

19. Securities. *Stocks* are shares in the ownership of business organizations. These shares are represented by certificates called stock certificates. Stocks pay dividends, if earned and when declared by the directors of the corporations. Stockholders generally receive their dividend payments quarterly by check.

Bonds are certificates which indicate that a business is indebted to the holder of the bond to the extent of the amount stated therein. Bonds pay a fixed rate of interest at specified times, generally semi-annually, for the period of the loan, at which time repayment of principal is due. Bondholders secure payment of interest by clipping and cashing their bond coupons, upon or after the due date printed on them. Interest on bonds must be paid before dividends on stock can be declared.

Both stocks and bonds are included in the term *securities.*

20. Stock Exchanges. (*a*) *Illustrations.* The increased economic activity of our modern age has greatly stimulated the buying and selling of stocks and bonds. Trading in securities, like that in commodities, is usually carried on in specialized markets organized for that purpose, called *stock exchanges.* Security exchanges exist in such centers of American economic activity as New York, Boston, Philadelphia, and Chicago. Foreign security exchanges are located in the leading cities of the world. The most important stock exchange in the United States is the New York Stock Exchange.

(*b*) *Functions.* Stock exchanges have developed in response to definite needs and perform many distinct services. They provide places where securities can be transferred readily. Through stock-market quotations, published daily in our papers, individuals are enabled to buy and sell these securities at or near their published prices. Stock exchanges also serve as a means whereby our industries can obtain additional capital funds through the sale of stocks and bonds. Trading on organized exchanges is an aid in forecasting business conditions and in reducing drastic changes in prices.

Before an issue may be listed on the exchange, the stock and the company offering it are subjected to scrutiny. While the stock exchange does not guarantee against fraud, nevertheless this investigation has a tendency to check dishonest practices.

21. New York Stock Exchange. (*a*) *Growth.* The New York Stock Exchange had a simple beginning in New York City late in the eighteenth century, when a group of men met from time to time on Wall Street to exchange securities. From this humble origin, the New York Stock Exchange has expanded into the tremendous organization of today. The volume of trading carried on there reached a high point in 1929, when on one day over sixteen million shares of stock were traded.

(*b*) *Membership and Government.* Membership in the

New York Stock Exchange is limited. It is governed by a Board of Directors who make the rules and regulations by which the exchange is operated, and who determine the eligibility of persons who wish to become members. It is only with the consent of the entire membership that a person may obtain a seat on the stock exchange. These *seats,* as the memberships are called, have sometimes cost over a half million dollars. The price of the seat varies in accordance with changes in business conditions.

N.Y. Daily News Photo

INTERIOR OF THE NEW YORK STOCK EXCHANGE

(*c*) *Operation of the New York Stock Exchange.* A visit to the New York Stock Exchange is an interesting and enlightening experience. A person unfamiliar with its trading technique is at first impressed by what seems to him confusion and disorder. After a short time, however, he sees that there are system and efficiency in the methods by which stocks and bonds are exchanged.

At certain places or *posts* particular securities or types of securities are traded. Stockbrokers move from one of these posts to another as they buy and sell securities for their clients. The floor of the Chicago Board of Trade, or any other produce exchange, likewise has *pits* in which produce brokers deal in particular commodities or types of commodities.

Throughout the exchange, numerous telephones keep the floor broker in constant communication with his office, where other members of his brokerage firm are receiving orders from customers which must be taken care of promptly.

The *stock ticker* is an important accessory of the broker's office. It is a mechanical device which records the stock-market transactions as they take place on the exchange. Many brokers also have board rooms in which are posted for the convenience of their patrons the latest stock prices. The *broad tape* in the offices of brokers on the produce exchange reports the prices of commodities and conditions of crops.

22. Bulls, Bears, and Lambs. In trading on organized exchanges certain nicknames have been adopted to indicate different kinds of traders. Reference is often made to *bulls, bears,* and *lambs.*

(*a*) *Bulls.* The name *bull* is applied to a trader who hopes to make a profit by buying at one price and later selling at a higher price. He is *long* on the market. The *bull* makes his profit by trading in a rising market.

(*b*) *Bears.* The *bear* is a trader who seeks profit by first selling at the existing price and later, when the market has fallen, if it has, buying at a lower price. The *bear* trader hopes to make his profit by operating in what he considers to be a falling market. He is said to have gone *short* on the market and must subsequently *cover* his short sale by an equivalent purchase.

(*c*) *Lambs.* The *lambs* are the unprofessional traders who engage in speculative transactions. They frequently meet with disaster; and when this takes place, they are said to be fleeced or *shorn lambs.*

23. Marginal Trading. Although the investor expects to keep his purchase and to enjoy the income from it indefinitely, the speculator seeks a quick profit from a rapid turnover. He may buy outright warehouse receipts or stock certificates, paying for them immediately in full. On the other hand, he may be tempted to trade on margin. When he trades on margin, the speculator does not pay for his stock certificate or warehouse receipt in full at the time he purchases it. He leaves with his broker a deposit or a down payment, called a *margin.* He thus secures a conditional claim to, or a partial ownership of, a larger amount of stock or warehouse receipts, instead of the complete and unconditional ownership of a smaller amount. In doing this, however, he increases his risks, for, if unable to protect his margin against falling prices, he will be sold out. Buying on margin multiplies possible losses as well as possible gains.

24. Abuses of Speculation. Excessive speculation creates an unwholesome condition in business. It diverts huge funds from the channels of industry; it temporarily raises or depresses the prices of stocks out of all proportion to their real values; and it induces a recklessness which often spells disaster for large numbers of investors. Under the spell of feverish speculation many people are seized with a desire for quick profits at the expense of common sense, of sound judgment, and, at times, even of business honesty. Bewildered by accounts of riches quickly gained, individuals seem to lose their sense of caution. The fever of speculation is contagious; it displays many of the symptoms of crowd psychology.

25. Government and Organized Exchanges. Because of the losses sustained by American investors following the stock market crash of 1929, federal action was demanded which would provide more effective regulation of organized exchanges and more rigid control of speculative activities. The Federal Securities Act of 1933 and the Federal Securities Exchange Act of 1934 were passed in order to correct some of the most glaring abuses.

The result was the creation of the Federal Securities and Exchange Commission to supervise the issuance of new securities and the sale of outstanding ones. The Federal Securities and Exchange Commission now regulates investment banking, just as the Governors of the Federal Reserve System, to be discussed in Chapter IX, regulate commercial banking.

Summary. Marketing is vitally important in the interdependent society of today. It is the process by which the vast quantity of agricultural products and manufactured goods are made available for the consumer.

The work of marketing is carried on by retailers, wholesalers, jobbers, commission merchants, brokers, and others. These individuals or groups of individuals are called *middlemen.*

Retail marketing is carried on by different types of organizations: independent retail stores, chain stores, department stores, mail-order houses, direct sales to consumers, and co-operative associations.

Certain commodities, as well as stocks and bonds, are bought and sold on organized exchanges. The purpose of organized exchanges is to permit trading to be carried on in a systematic manner and in accordance with definite regulations. Warehouse receipts for cotton, wheat, and some other commodities are bought and sold on produce exchanges, and stocks and bonds on stock exchanges.

Many of the transactions on the produce exchanges are made for future delivery. These deals are distinctly speculative in character. Securities on the stock exchange may be bought and sold outright or they may be bought and sold on margin. Marginal transactions are more risky than are outright purchases or sales of stock.

The stock-market crash of 1929 and the losses suffered by many investors led to the enactment of federal legislation in 1933 and 1934 which aimed to correct alleged abuses in speculative transactions. The Federal Securities and Exchange Commission was created for the supervision of investment banking and brokerage transactions.

Word Study: Marketing, middleman; retailer, wholesaler, broker, jobber, commission merchant; securities, stocks, bonds; marginal trading; bull, bear, lamb; speculation, investment; solicit.

QUESTIONS ON THE TEXT

1. What is marketing? Why is it important in our interdependent society?
2. Discuss the development of marketing.
3. What is the role of the wholesaler in marketing? Of the commission merchant? Of the broker?
4. What are some of the criticisms that have been made of middlemen?
5. What are the distinguishing features of the independent retail store? Of the department store? Of the chain store? Of the mail-order house?
6. What is a market? What are organized exchanges?
7. Describe a produce exchange. A stock exchange.
8. Enumerate some services of the stock exchange.
9. What are some of the abuses of speculation?
10. What is meant by marginal trading?

APPLICATION AND INTERPRETATION

1. What, in your opinion, are the advantages possessed by the independent retail store? By the chain store? By the department store? By the mail-order house? By direct sales to the consumer?
2. What is the relation between the wholesaler and the satisfaction of your wants? The retailer and the satisfaction of your wants?

3. How do banks in your community aid the marketing process?

4. Do you know of any wastes that take place in marketing in your community?

5. What service does the New York Stock Exchange render to thrifty people in your community?

6. Discuss any examples of direct sales to the consumer with which you are familiar. What is your own opinion concerning the advantages and disadvantages of this type of retail service?

Suggested Activities

I. Prepare talks on the following topics:

1. Evils of speculation.
2. Services rendered by retail stores.
3. Services rendered by the stock exchange.
4. The Federal Securities and Exchange Commission.

II. Have a group debate: the chain store versus the independent retailer.

III. Have a group select five stocks listed in the stock quotations of your daily newspaper and record each day for a week the quotations on these stocks.

IV. Draw a cartoon illustrating some waste that is said to exist in our marketing system today.

V. Plan an excursion to a stock market or a broker's office. Make reports, oral or written, on this trip and use reports as basis for class discussion.

VI. 1. Secure from a brokerage firm, if possible, a speaker who can describe operations on the stock market, the stock ticker, and the stock quotations in the daily paper.

2. Secure, if possible, a speaker who can describe the organization and functions of a department store, a chain store, or a mail-order house.

Collateral Readings

FAUBEL—*Principles of Economics;* Chap. XII, "The Business of Marketing"; Chap. XIII, "Marketing—Wholesale and Retail"; Chap. XIV, "Marketing—The Commodity Exchanges"; Chap. XV, "Marketing—The Security Exchanges."

FAY and BAGLEY—*Elements of Economics;* Chap. IX, "Marketing and Business Cycles."

Greenan—*Readings in American Citizenship;* Chap. XXIV, "Marketing and Prices."

Janzen and Stephenson—*Everyday Economics;* Chap. XXII, "Speculation."

Keister—*Our Financial System;* Chap. XXI, "Stock Exchanges and the Money Market."

Klein and Colvin—*Economic Problems of Today;* Unit III, "Markets and Prices."

Smith—*Economics;* Chap. XV, "Markets and Marketing."

Thompson—*High School Economics;* Chap. XIII, "Marketing the Products of Industry"; pp. 197, 198, "Stock Exchanges."

Advanced Readings

Adams—*Description of Industry;* Chap. VIII, "The Market."

Bye and Hewett—*Applied Economics;* Chap. XI, "Efficiency in Marketing."

Haney—*Business Organization and Combination;* Chap. XX, "Marketing and the Stock Exchange."

Meeker—*The Work of the Stock Exchange.*

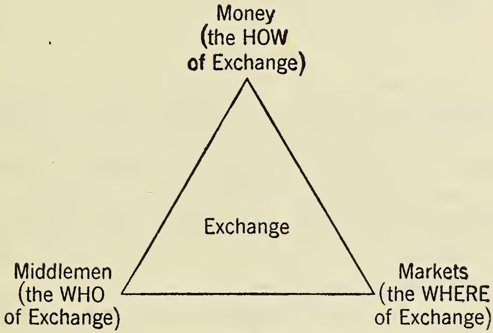
Patterson and Scholz—*Economic Problems of Modern Life;* Chap. III, "Middlemen and Organized Markets."

Pratt—*The Work of Wall Street.*

Vaughan—*Marketing and Advertising.*

UNIT B. PROBLEMS OF EXCHANGE

Chapter VIII. Domestic Exchange through Money and Credit
Chapter IX. Banking in the United States
Chapter X. International Trade and the Tariff
Chapter XI. Business Cycles and Economic Instability


Money
(the HOW
of Exchange)
Exchange
Middlemen
(the WHO
of Exchange)
Markets
(the WHERE
of Exchange)

Triangle of Exchange

CHAPTER VIII

DOMESTIC EXCHANGE THROUGH MONEY AND CREDIT

Objectives:

(1) To show the importance of money, its origin, and uses; and to analyze the monetary system of the United States.

(2) To show the nature and forms of credit in the United States.

A. Money

Specialization requires exchange; and exchange, in turn, requires merchants, markets, and money—the who, the where, and the how of exchange. The preceding chapter discussed middlemen and markets, specialized dealers in exchange, and specialized places for exchange. The present chapter is devoted to a discussion of money, a specialized medium of exchange.

1. Money and the Gratification of Wants. In the business of making a living the worker specializes in making or doing something for which he will be paid in money. With this money he buys things which satisfy his wants. The farmer specializes in raising apples, corn, wheat, and potatoes. He wants tractors, seeds, fertilizers, clothing, medical care, life insurance, and numerous other commodities and services. He exchanges the things he has produced for money. This money he will exchange for the goods he needs.

Money is important, therefore, because, in our present system of specialized production, it is the medium through which we exchange our labor and the products of our labor for those things which we need to satisfy our wants. It is the factor upon which modern exchange is based. Without money as a medium of exchange our whole system of producing for the market would collapse.

2. Primitive Means of Exchange. Mankind has not always used money. The use of money came about in order to facilitate exchange; it is the result of a long slow growth of commerce.

In primitive times there was little need for money, because each family produced for its own needs and not for exchange. As man acquired more knowledge and made better tools, he was able to produce more goods than he needed for his own use. At times, therefore, he found himself in possession of a surplus which he could exchange for something which his neighbor possessed. He would leave a portion of these goods with his neighbor as a gift, and would expect a gift in return. Later, goods were exchanged directly for goods and this system was called barter. The system of barter persisted down into the agricultural stage of economic development.

When man began to specialize, production increased in variety and amount. Man began to make things to sell for the market, and not for his own use. This stimulated the growth of trade and commerce. Exchange became very important and created a need not only for middlemen and markets but also for a more efficient medium of exchange and for a more accurate measure for evaluating commodities.

3. Disadvantages of Barter. Barter was too slow and cumbersome a method of exchange. It was difficult to determine the relative value of commodities and as a result there was a great deal of wrangling over transactions. It was not a simple matter to determine whether one horse was worth two cows, five sheep, or fifty bushels of wheat.

Another difficulty of barter was that many commodities could not be separated into small subdivisions without impairing, and even destroying, the value of the whole. There is no such thing as half of a sheep or a quarter of a pig; subdivided, it becomes so many pounds of mutton or of pork. Exchange of goods through barter was not convenient, also, because many commodities to be exchanged were perishable. They could not be held until a person was found who desired to exchange something for them. Another serious objection to barter was the fact that in order to make an exchange, it was necessary not only to find a person with the commodity you needed, but also to find a person who needed what you had to exchange.

As a result of these difficulties and limitations of barter, man saw the advantage of selecting some valuable article, which was generally desired and commonly accepted, and using this article as a medium of exchange. This commodity was called *money*.

4. Uses of Money. (*a*) *Medium of Exchange.* Money serves as a medium of exchange. Of itself, money has small usefulness. It has a value only when the conditions exist by which that money can be exchanged for commodities or services. A shipwrecked banker, let us suppose, is stranded on a desert island. Among the things which he has managed to save is a waterproof wallet containing several thousand dollars. His money is without value, however, as there is no means of exchanging it for shelter, food, or clothing.

(*b*) *Standard of Value.* Money is used also as a standard by which the value of other commodities can be expressed. As one measures distance by the yard, and weight by the pound, so man found it desirable to measure the value of commodities by means of a definite unit. A monetary unit, then, is a measure of value.

In the United States this unit of money or monetary unit is the dollar. The price of an article, therefore, is its value expressed in terms of dollars. We can readily see what a great convenience this is. An automobile is not evaluated today in terms of cows, wheat, sheep, or other commodities, as it would be if the system of barter prevailed. It is evaluated in terms of money. Under barter there was no common denominator of value; today, this is provided by money.

(*c*) *Standard of Deferred Payment.* Money serves as a standard for credit transactions. Credit is used extensively in modern business and credit is based on money. Not only does the businessman borrow funds from banks to carry on his business, but the customer also can procure many things and make immediate use of them, by promising to pay money at some future time. We can buy automobiles, radios, refrigerators and other commodities on the deferred-payment plan. Homes also may be purchased on credit.

(*d*) *Store of Value.* Money, too, can be saved and kept as a reserve of wealth. Under barter it was necessary to exchange some commodities as soon as possible. With money, however, we can reserve its use until such time as we find we can spend it most advantageously. By storing money we do not mean hoarding it in the sense that the miser stores it up. Money can be stored by investing it in stocks and bonds, or in savings funds. In this way it is not only held in reserve for its owner, but it is also used to finance business enterprises.

5. Materials Used for Money. From time to time mankind has used a number of different commodities as money. Salt was used by the ancient Egyptians; iron, by the Spartans; tobacco, by the colonists in Virginia. Metal coins have been found in the ruins of ancient civilizations, such as those of Greece and Rome, indicating that men in that early period were using metal as money. We also have evidence that mankind has from an early time placed a high value on gold and silver because of their scarcity and many uses. Hence, the precious metals have long been used as money.

Photos from The Bettmann Archive

OLD ROMAN COINS

6. Qualities of Good Money. In order to be a good monetary material, the commodity must possess certain qualities.

(*a*) It must have *intrinsic* or *real value* in itself. It must be a commodity that is *generally accepted and desired* because of this intrinsic or real value. The supply of the material influences its value, because if there is too much in proportion to the demand for it, the commodity would be so cheapened that it could not be used advantageously as money.

(*b*) It must be a commodity that can be carried easily; that is, it must possess *portability.* The commodity must have a value which is not too low in proportion to its bulk. Great bulk in proportion to value would disqualify a commodity as money material, because of the difficulty of carrying it.

(*c*) The commodity used as money must also possess *reasonable stability of value.* If the supply increases or decreases in considerable amounts, its value will fluctuate widely. This would tend seriously to dislocate prices. No one commodity, not even gold or silver, possesses absolute stability of value. The value of the precious metals, however, fluctuates less than that of many other commodities.

(*d*) A good monetary material is capable of division into smaller units without impairing the value of the whole. The metals meet this requirement of *divisibility* without loss of value.

(*e*) There must be no variation in the quality of the material used as money. It must possess *homogeneity* or *uniformity.* Particle for particle it must have the same value throughout its entire mass. Commodities such as wheat, corn, tobacco, and diamonds are not good monetary materials because their quality is not always the same. For example, there are different grades of wheat in the United States. If wheat were used for money, one purchaser might get fifty bushels of the first grade, while another might get fifty bushels of the poorest grade. Many metals, however, possess this quality of homogeneity. An ounce of pure gold in Alaska, for example, is the same as an ounce of pure gold in Africa, and the consistency of each particle in the ounce of gold is the same.

(*f*) The material to be used for money must be such that its value can be recognized without great difficulty or close scrutiny. This characteristic is called *cognizability.*

(*g*) A material that is to serve as money must be capable of long and hard usage. This requirement of *durability* is met especially well by the metals.

(*h*) A monetary material must be *malleable*—easy to roll or stamp. It must be capable of being shaped or pressed into convenient forms and sizes for coins. The metals gold and silver possess to a greater degree than other commodities those qualities which make them especially desirable materials for monetary use. With the development of civilization, therefore, these two metals have come to be extensively used as money.

7. **Gold Standard. Monometallism.** It has been customary for a government to select a particular metal to serve as the basis of its currency system. The metal chosen is called the standard money. The use of one metal as standard money is called *monometallism*. When a country selects gold as the standard metal it is said to be on the gold standard.

This does not mean that all the money of a country on the gold standard is necessarily backed dollar for dollar by gold coin. It means that the country is on a convertible gold basis: that a person may exchange the metal or paper money in his possession for gold. If all the paper and silver money were presented at once, there would not be a sufficient stock of gold to redeem it. The government has kept a sufficient supply of gold back of its currency, however, to meet all ordinary demands.

8. **Gold and Silver Standard. Bimetallism.** The use of two metals as standard money is called *bimetallism*. Under such a system paper money can be redeemed in either gold or silver and the government will exchange gold coin for silver coin or the reverse. The United States has experimented with the bimetallic standard but has found it unsatisfactory.

B. MONETARY SYSTEM OF THE UNITED STATES

9. **Government Regulation of Money.** Money is so intimately related to the welfare of people that the National Government has assumed the function of coining it and regulating its use. The Federal Government is

able to regulate our currency more effectively than could be done by the individual states; it can also insure greater protection against counterfeiting and other fraudulent practices.

The source of federal authority over the coinage and regulation of money is Article I, Section 8, Clause 5, of the Constitution, which states that Congress shall have power "To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." Our government has the power to prescribe what forms of money must be accepted in the payment of obligations. The kinds of money which the government decrees shall be accepted in payment of business obligations are called *legal tender*.

10. Gold Standard Act. In 1900, Congress passed the Gold Standard Act. By this law the United States then officially established gold as the basis of its currency system and guaranteed to redeem all other forms of money, whether metallic or paper, in gold.

11. Gold Repeal Resolution. On June 5, 1933, Congress passed the Gold Repeal Resolution. This resolution was important in our monetary history, because it took the United States off the gold standard. Under the terms of this resolution, all obligations, both private and public, were made payable in legal tender instead of gold. All forms of paper money were made legal tender.

Under the provisions of the Gold Reserve Act, in 1934, Congress ordered all the gold coin in the United States to be turned in to the government. It was then converted into bullion: that is, into bars of a shape and size that can be stored and transported easily. This bullion was used to serve as a basis for our currency. Our currency at the present time, therefore, while not convertible into gold, is secured by a gold bullion reserve.

12. Our Monetary Unit. For many years the monetary unit of the United States was the gold dollar, consisting of 23.22 grains of pure gold and 2.58 grains of alloy. This alloy was added to increase the durability of the gold. The total weight of a ten dollar coin, therefore, was 258 grains of gold, nine tenths fine.

In order to maintain parity, or equality between the gold dollar and gold bullion, the government established a mint price of $20.67 per ounce of gold, and permitted the free and unlimited coinage of gold. A person could bring to the mint any amount of gold he desired and receive for it $20.67 an ounce. This price of $20.67 an ounce was the same as one dollar per 23.22 grains of pure gold.

In 1934, Congress passed a law which granted authority to the President to change the weight of the gold dollar. It was accordingly reduced from 25.8 grains to 15 5/21 grains, nine tenths fine. This raised the price of gold from $20.67 per ounce to $35 an ounce.

When the dollar was devalued in 1934 from 25.8 grains to 15 5/21 grains, the stock of gold in the possession of the government rose in price by approximately $2,800,000,000. This was due to the fact that since there was less gold in each dollar, the supply of gold was worth more in terms of the dollar.

C. Kinds of Money in the United States

In the United States there are two kinds of money: metallic money and paper money. Metallic money is coined by the government in mints located in Philadelphia, Denver, and San Francisco. Our paper money is produced at the Bureau of Engraving and Printing, located in Washington, D.C.

13. Gold Money. In 1933, the United States Government ceased to make gold coins. Prior to that time, the gold coins in use in the United States were the twenty dollar piece, called the *double eagle;* the ten dollar piece, called the *eagle;* and the five dollar piece, called the *half eagle.* At one time the government made a $2.50 gold coin, and also a one-dollar gold piece.

Very little gold coin was actually used in carrying on business transactions. Gold coin was held for the most part by the National Government, or the Federal Reserve banks. It served as the basis of our currency and could be obtained in exchange for any form of our money.

As explained in Section 11, gold coins were called in by the National Government in 1934. They were then melted down into bullion. This gold bullion is now under the direct control of the Federal Government. It is kept in two carefully secured fortresses, one in the Appalachian Mountains and the other in the Rocky Mountains.

14. Token Money. The silver, nickel, and copper coins are called *token money,* because the market value of the metal in these coins is not equal to their monetary value. The silver coins of the United States are the dollar, half dollar, quarter dollar, and ten-cent piece. Other token coins are the nickel five-cent piece and the copper one-cent piece. This fractional currency is used for convenience in making change.

15. Paper Money. In modern times, people have become accustomed to the use of paper money. Paper money is easier to carry than is metal money. It is also cheaper for governments to print paper money than it is for them to coin metals. There are two main classifications of paper money: representative money and credit money.

(*a*) *Representative Money.* Representative money is paper money issued by the National Government; it represents silver money or gold in the treasury. The bills which represent silver money or gold in the treasury are called silver and gold certificates. The owner of silver certificates carries them in place of the more bulky silver.

These certificates are not credit money, nor promises to pay. They are receipts for silver dollars or silver bullion actually in the treasury.

A silver certificate is easy to identify. It contains on its face the following statement: "This certifies that there is on deposit in the Treasury of the United States of America one dollar in silver payable to the bearer on demand."

Gold certificates were similar treasury receipts, in larger denominations, for gold money, payable to bearer on demand. In 1933, gold certificates, as well as gold coins, were withdrawn from circulation. Only Federal Reserve banks are permitted to hold gold certificates as claims against their gold now held by the Federal Government.

(*b*) *Credit Money.* Credit money does not represent a receipt for gold or silver but contains a promise to pay. There are two kinds of credit money: government credit money and bank credit money. The forms of government credit money are United States notes and United States Treasury notes of 1890. Forms of bank credit money are Federal Reserve notes, national bank notes, and Federal Reserve bank notes.

16. Government Credit Money. Government credit money contains the promise of the government to pay the amount of money stated on the face of the note.

(*a*) *United States Notes.* The United States notes were issued by the Federal Government during the War between the States. They were called *greenbacks* because of their color. They were issued in large quantities and were unsecured by deposits of gold or silver.

The greenbacks were, in reality, a form of fiat money—money that is not redeemable and yet is legal tender for the payment of obligations. Because they were unsecured, not backed by some form of actual wealth, such as gold or silver, these notes were accepted by the people with some reluctance, and they depreciated in value in terms of gold. In 1879, however, the Federal Government, after creating a reserve, restored the confidence of the people by arranging for the redemption of these greenbacks. Since that time they have been accepted at their face value. These greenbacks were never secured, dollar for dollar, by a gold reserve.

(*b*) *United States Treasury Notes of 1890.* In 1890, the United States issued the United States Treasury notes to purchase silver under the terms of the Sherman Silver Purchase Act, passed that same year. These notes were backed by silver and could be redeemed by their owners on demand. Very few of them are in circulation today. They are of historic interest, not of practical significance.

17. **Bank Credit Money.** (*a*) *Federal Reserve Notes.* At the present time, there are more Federal Reserve notes in circulation than any other kind of paper money. Federal Reserve notes are issued by the United States Government through Federal Reserve banks. They are promises of the United States Government to pay the amount of money designated on the face of the note.

Federal Reserve notes are credit money because they are not backed dollar for dollar by money in the treasury. They are secured, however, by commercial paper or promissory notes, to be explained later, and by a reserve of gold certificates.

Federal Reserve notes were issued under the provisions of the Federal Reserve Act of 1913 in order to give elasticity to our currency. The important services which these notes perform in our monetary system will be described in the following chapter.

(*b*) *National Bank Notes.* National bank notes are credit obligations of our national banks. These notes first made their appearance in 1863 with the establishment of the National Banking System; they will be discussed more fully in the following chapter in connection with national banks.

In 1935, the National Government made provision for the withdrawal of national bank notes from circulation.

(*c*) *Federal Reserve Bank Notes.* Federal Reserve bank notes were issued by the Federal Reserve banks and likewise secured by government bonds purchased by the Federal Reserve banks. Provision for retiring these notes also was made by the government in 1935.

D. Monetary Problems

18. Instability of Money. While money performs many valuable services, it has also given rise to a number of grave problems. One of the most serious of these is the instability of money as a measure of value. By instability of money we mean that the value of money, in terms of other commodities, does not remain the same, but fluctuates or changes. At one time, a dollar may buy a bushel of wheat or a yard of cloth; at another time, it may buy only half a bushel of wheat or half a yard of cloth. As prices of commodities rise, the value of the dollar declines. As prices of commodities fall, the value of the dollar increases.

(*a*) *Changes in the General Price Level.* An examination of price changes in the United States over a period of years indicates that there are short cycles and long trends of changes. A number of reasons have been advanced for these changes in the purchasing power of the dollar. The short time changes have been connected with the business cycle, characterized by alternating periods of business depression and prosperity. This problem will be discussed in Chapter XI. The long-term changes in the general price level have been ascribed by economists to wars, leading to an overissuance of paper money, and to discoveries of new mines or additional sources of gold, leading to an increase in the supply of this precious metal. This set of forces makes for higher prices or less valuable dollars. On the other hand, technological changes, such as the invention of machinery or the introduction of new processes, make for an increase of commodities and a fall in prices.

(*b*) *Effects of Price Changes.* This instability of our monetary unit works a particular hardship in long-term-credit transactions. The changing price level over a period of years will affect the value of money by which a debt is settled. The money will be worth either more or less in the goods it can buy than the money which figured in the original credit transaction.

Falling prices, through a long period of time, will have a tendency to injure debtor groups. Assume, for example, that a farmer borrows $5,000 to buy necessary equipment when prices are high. At the end of five years, prices of commodities have declined approximately 50 per cent. Hence, paying back the same amount of money is, in reality, returning twice the original purchasing power. Since the prices of his farm products have dropped 50 per cent and wheat which brought a dollar a bushel when he secured the loan will now bring him only fifty cents a bushel, the farmer will have to raise twice as much wheat to earn $5,000 as he had done when he borrowed the money. The creditor, however, will gain in this transaction, since the $5,000 which he receives in payment of his loan will purchase almost twice as much in farm products as the $5,000 which he had loaned.

On the other hand, if prices had increased 100 per cent instead of decreasing 50 per cent during the same period of time, the debtor would have gained and the creditor would have lost. The farmer would have had to sell only half as much wheat to raise the $5,000 as would have been necessary when he borrowed the money. The $5,000 repaid to the creditor would have had only half the purchasing power of the $5,000 he loaned.

Rising prices also injure those who live on fixed incomes, such as salaries and interest from bonds. Costs of living go up in the elevator, but wages slowly climb the stairway; salaries often remain where they were.

19. Deflation and Inflation. (*a*) *Nature.* If the supply of a commodity is increased tremendously, there will be a tendency for the value of that commodity to decrease in terms of money. On the other hand, if the supply of money is increased tremendously, there will be a tendency for the value of money to decrease in terms of commodities.

From time to time nations have issued excessive amounts of inconvertible paper money: that is, paper money which the government does not guarantee to exchange for gold or silver. The value of this paper money often has so depreciated that it has become almost worthless. Nevertheless, this money may be continued for a long time as legal tender. The practice of issuing an excessive amount of paper money or of extending an excessive amount of bank credit is called *inflation.*

Deflation is the opposite of inflation. It is a serious decline in the general price level, due to a decrease in the quantity of money, to a restriction of credit, or to an increase of goods.

Reflation is a deliberate attempt at a modest amount of inflation to restore the general price level to the point where it was before deflation set in.

(*b*) *Causes of Inflation.* Countries are tempted to resort to the practice of inflation in times of great emergency; they are often forced to do so during periods of war. Expenses mount rapidly and governments find it difficult to raise sufficient funds through taxation or through the sale of bonds to meet their obligations. In many cases governments have resorted to the use of "printing press" money. Once the printing presses have begun to turn out this paper money, it is difficult to stop them. The result is that more and more money is printed, and the value of this money decreases correspondingly.

(*c*) *Illustrations.* The French Government, during the Revolution, circulated unsecured paper money known as *assignats.* At the time of the American Revolution, the Continental Congress likewise issued irredeemable paper money. During the World War, some of the European nations issued large amounts of paper money and huge issues of bonds. German marks were printed in such excessive amounts that, for a time after the war, it required thousands, and even millions, of marks to purchase a loaf of bread.

The United States notes, or *greenbacks,* issued by the Federal Government during the War between the States were, at first, examples of inconvertible paper money and their value fluctuated with the military successes or failures of the Union armies. Paper-money prices were in excess of gold prices. In 1879, however, the Federal Government agreed to pay gold for these notes at their face value to anyone who presented them for redemption. This step on the part of the government restored confidence in the greenback, and very few were presented for redemption. Since that time, greenbacks issued have maintained their purchasing power at par with our other forms of money.

(*d*) *Effects of Inflation.* While inflationary tendencies on the part of a government are vigorously opposed by some groups, yet there are others who advocate inflation or reflation as a remedy for their economic ills. The differences of opinion that prevail are undoubtedly due to the fact that inflation serves the interests of some groups and defeats the interests of others.

We have learned that inflation causes prices to rise. In our study of instability we noted that a rise in prices favors the debtor groups. Hence, farmers, confronted with heavy charges on mortgages placed on their farms, have sometimes clamored for cheap money to check deflationary influences. On the other hand, rising prices adversely affect the creditor groups. Those who have made loans receive, in return, cheaper money. Hence they oppose inflation or reflation.

Those who live on a fixed income, either from salary or interest, also suffer under inflation. Costs of living rise, and their money buys less. The wage earner suffers, as we have seen, because money wages rise more slowly than commodity prices and costs of living.

Soaring prices under inflationary measures tend to give a false idea of real business conditions; individuals are often tempted into rash ventures, which lead sometimes to economic disaster.

20. Managed Currency. It has been maintained by those who advocate inflation or reflation that the trouble is not so much with inflation, as it is with uncontrolled inflation. They claim that reasonable inflation is a healthy tonic for business. It stimulates prices to rise, creates greater demand for goods, gives an added impetus to business. They also urge inflation as a means of helping the government to lighten its indebtedness. In other words the government could, by printing paper money, pay some of its obligations; this would reduce the burden of levying taxes or floating bond issues.

As long as our currency is scientifically managed and carefully controlled, advocates of reflation feel that there would be no disastrous effects of inflation. Experience has shown, however, that more often than not, once inflation has got under way, government officials are powerless to control or manage it. Inflation is popular but deflation is not. Reflation thus may lead to inflation, which can easily get beyond control.

E. CREDIT

21. Nature and Functions. Although money is of tremendous importance in a commercial society, the use of money alone is not sufficient to meet the demands of modern business. Many commercial transactions are made without the use of money. These are performed by credit instruments.

Credit is the process of exchange which enables an individual to take immediate possession of commodities or to make immediate use of services in return for a promise to pay in the future. In this way, credit instruments are substitutes for money as a medium of exchange. But as they are often expressed in monetary terms, credit instruments do not take the place of money as a standard of value.

A large part of modern business is carried out on this credit basis. The farmer borrows money in order to buy seeds, fertilizer, and equipment. The manufacturer borrows money to buy raw materials and machinery. The merchant often finds it necessary to obtain credit from the bank or from the manufacturer in order to carry on his business. Cities borrow money through the sale of bonds in order to build schools. The consumer buys automobiles, electric refrigerators, radios, and homes on the deferred-payment plan. Even ocean trips are being advertised today on a basis of deferred payment. In all of these cases, credit is extended in return for a promise to pay money later.

Credit is based, therefore, on the use of money; it presumes eventual payment in money. It is possible, however, for business to be carried on and exchange to take place without the use of money. A grocer pays his dentist by check, the dentist then pays his landlord by check, and the landlord, in turn, pays the grocer by check.

In this way, an exchange of commodities and services can be accomplished by credit instruments without the use of money.

By facilitating the exchange of commodities, the use of credit makes possible an increased number of business transactions and gives a strong impetus to business activity. Our modern system of production could not function if all commerce were tied tightly to a cash basis. It would be like putting modern business in a strait jacket.

22. Forms of Credit. Credit is extended in a number of different forms. Among these forms are the check, the promissory note, the open account, the trade acceptance, and the draft or bill of exchange. The term *commercial paper* is commonly used when referring to such negotiable or transferable instruments as promissory notes, bills of exchange, and trade acceptances, all of which are short-term credit instruments. In contrast, bonds and mortgages are long-term credit instruments, for these loans run for years instead of days.

(*a*) *Check.* A check is a written order on a bank by a depositor to pay a designated sum from the depositor's account. It is said that between 85 per cent and 90 per cent of all business in our country is carried on through the use of checks.

Checks are used so extensively that we often think of them as money. Checks, however, are not legal money, but are accepted with almost the same promptness with which legal tender money is accepted, provided that the maker of the check has a good credit standing.

The use of checks affords a number of distinct advantages over actual cash transactions. It saves time, and eliminates the danger and inconvenience of carrying or sending large sums of money long distances. In paying bills, checks also serve as receipts for payment, if their purposes are indicated.

(*b*) *Promissory Note.* The promissory note also is used in carrying on credit transactions. When people borrow money, either for personal use or for business, they may give, in return for the funds that they borrow, a promissory note. This is a written promise to pay a certain sum of money at a definite time. If it is an interest-bearing note, it will specify the rate of interest to be paid. The person who promises to pay and signs the note on its face is the maker. The one to whom the money is to be paid is the payee.

The promissory note, like the check, may be used to settle accounts without the use of money. It is not used so extensively as the check, but it plays a very important part in credit transactions. A check is used when the debtor is able and willing to pay at once. A promissory note is resorted to when the debtor is either unable or unwilling to make immediate payment in cash.

Sometimes money is loaned by banks or individuals without security. This form of note is *unsecured*. On the other hand, the payee may require that the note be secured by stocks, bonds, or a mortgage on property. The payee may also insist that the maker of the note secure the endorsements of one or more responsible persons who can be held liable for the payment of the note in case the maker is unable to pay it.

(*c*) *Open Account*. Open accounts are extensively used in American business. One form of open account is the familiar charge account kept by retail merchants. Open accounts are an advantage to the customer and to the merchant. For the customer they obviate the necessity of carrying sums of money in order to make cash purchases from day to day. The merchant receives the benefit of increased business by selling goods on a credit basis.

Purchases are made, charged to the customer's account, and at the end of the month a bill is sent to him for the items he has purchased. The customer may then mail a check in payment.

The open account is satisfactory as long as people pay it promptly. If they do not pay their bills, the merchant suffers a loss. In order to make up for this loss, he may add the cost of the poor accounts to the price of goods sold all customers.

(*d*) *Trade Acceptance.* The trade acceptance is a form of note in which the purchaser of merchandise agrees to pay the seller a certain sum of money at a specified time. When the conditions of the sale have been agreed upon, or complied with, the maker writes the word *accepted* across the face of the note and signs it.

The trade acceptance has some distinct advantages for both buyer and seller. It enables the buyer to obtain goods on longer term credit than does the ordinary open account. The seller, if he so desires, may obtain his money immediately by selling the trade acceptance to his bank. Since the trade acceptance defines the conditions of the transaction, there is a better chance of obtaining satisfaction in case of disagreement.

(*e*) *Draft or Bill of Exchange.* The draft or bill of exchange is an order made by a creditor upon a debtor to pay immediately or at some future time a sum of money, either to the creditor himself or to a third person. Drafts enable buyers and sellers to carry on transactions without the necessity of shipping money long distances.

Summary. Money is important in our interdependent society because it is the medium through which we obtain things necessary to gratify our wants. The high degree of specialization which characterizes modern life would not be possible without the use of money.

Man began to use money as a medium of exchange because it possessed distinct advantages over the old system of barter. With the growth of trade and commerce and the increased importance of exchange, man sought some definite commodity which he could use as a medium of exchange and as a standard of value.

Many different commodities have been used as money, but because of certain qualities which they possess, some materials have been found more satisfactory than others. Gold and silver have become widely used as money because they possess in greater degree than other commodities the characteristics necessary for good money material.

Money performs valuable services. It is used as a medium of exchange, a standard of value, a standard of deferred payments, and a store of value.

When a country selects one particular metal to serve as the basis of its currency, that metal is called the standard money. The use of one metal is called monometallism. The use of two metals as a standard money is called bimetallism. The United States has experimented with the bimetallic standard but has found it unsatisfactory.

If gold is chosen as the standard money, and other types of money can be redeemed therein, the country is said to be on the gold standard. For many years the United States was on the gold standard.

The monetary unit has generally been a coin of specific weight and fineness made of the standard metal. This coin has served as the basic unit of the currency system. The gold dollar has been the monetary unit of the United States.

The United States uses both metal money and paper money. The metal money consists of the silver dollar, half dollar, quarter dollar, and the ten-cent piece, the nickel five-cent piece, and the copper cent piece. Gold coins have been withdrawn from circulation.

Paper money consists of representative money, in the form of silver certificates; governmental credit money, in the form of United States notes; and bank credit money, in the form of Federal Reserve notes.

Two monetary problems which merit serious consideration are instability and inflation.

The use of credit has become increasingly important in modern times. The forms of credit in general use are the check, the promissory note, the open account, the trade acceptance, and the draft or bill of exchange. Banks are institutions of credit; they will be discussed in the following chapter.

Word Study: Barter; monometallism, bimetallism; legal tender, fiat money, standard money, commodity money; greenback; inflation, deflation, reflation; creditor, debtor; bouillon, bullion; instability, inconvertibility; commercial paper; medium of exchange, standard of value; monetary unit.

QUESTIONS ON THE TEXT

1. Why did the use of money become necessary?
2. What are the uses of money? Name some commodities that have been used as money.
3. What are the qualities that distinguish a good monetary material?
4. What is standard money? What is meant by the monetary unit?
5. What is monometallism? Bimetallism?
6. What is meant by the gold standard? When did the United States officially adopt the gold standard? Are we on the gold standard today? Discuss.
7. What action did Congress take in regard to gold in 1933? In 1934?
8. What was and what is now the monetary unit in the United States?
9. What are some of the advantages of using paper money?
10. What kinds of paper money were formerly in use? What kinds are now in use?
11. What is monetary instability? How does it affect the creditor? The debtor?
12. What is inflation? What are the effects of inflation?
13. What is meant by credit? Why is it important?
14. Name five forms of credit. Explain the use of each.
15. Distinguish between long-term and short-term credit instruments. Illustrate each type.

Application and Interpretation

1. Is the use of money more or less important today than it was in colonial times? Explain your answer.

2. What happens to the value of the dollar when prices rise? When prices fall?

3. How would inflation affect your own household? Some other members of your community?

4. Why is it important that the National Government alone has the right to coin money and regulate the currency?

5. What is the source of governmental authority over money?

6. Why is gold superior to iron as money? To diamonds?

7. How does credit stimulate business activity in your community?

8. Why would a merchant of your own town find it advantageous to use a trade acceptance in carrying out a business transaction with a wholesaler or manufacturer?

Suggested Activities

I. Prepare talks on the following subjects:
1. History of greenbacks.
2. Campaign of 1896.
3. Early forms of money.
4. California Gold Rush.

II. Draw cartoons illustrating:
1. Disadvantages of barter.
2. Uses of money.

III. Have a group or committee collect different kinds of United States money. Show these to the class and explain how each type of paper money can be identified, how it came into circulation, and how it is secured.

IV. Make a drawing or diagram to show graphically how a draft may cancel credit obligations in widely separated localities.

V. Secure a speaker, if possible, who can explain to the class how United States paper money is printed, and how metal money is coined.

Collateral Readings

Atkins and Wubnig—*Our Economic World;* Chap. XVI, "The Nature of Money."

BURCH—*American Economic Life;* Chap. XXXIV, "Money Problems"; Chap. XXXV, "Credit and Banking."

CORBETT and COLVIN—*Modern Economics;* Unit VII, "Our Credit Economy."

FAIRCHILD—*Essentials of Economics;* Part IV, "Money and Banking."

FAUBEL—*Principles of Economics;* Chap. XVI, "Money, the Medium of Marketing"; Chap. XVII, "The Value of Money"; Chap. XVIII, "Changes in the Value of Money."

FAY and BAGLEY—*Elements of Economics;* Chap. XII, "Money"; Chap. XIII, "Credit and Banking."

JANZEN and STEPHENSON—*Everyday Economics;* Chap. XIII, "Money"; Chap. XIV, "The Monetary System of the United States"; Chap. XV, "Credit"; Chap. XVIII, "Money and Prices."

KEISTER—*Our Financial System;* Part I, "The Monetary System"; Part III, "Financial Instruments."

SMITH—*Economics;* Chap. XVI, "Money"; Chap. XVII, "Kinds of Money"; Chap. XVIII, "Money and Prices"; Chap. XIX, "Credit and Credit Instruments."

WOODS—*The Story of Uncle Sam's Money.*

WOODWARD and ROSE—*A Primer of Money.*

ADVANCED READINGS

ANGELL—*The Story of Money.*

ATKINS and Others—*Economic Behavior;* Chap. IV, "The Role of Money"; Chap. V, "The Changing Nature of Money."

DEWEY—*Financial History of the United States.*

ELY—*Outlines of Economics;* Chap. XIV, "Money."

FOSTER and CATCHINGS—*Money.*

HOLDSWORTH—*Money and Banking.*

KEMMERER—*Kemmerer on Money.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Chap. V, "Monetary Problems"; Chap. VI, "The Problem of Unstable Price Levels."

SLICHTER—*Modern Economic Society;* Chap. XI, "Modern Industry, A Credit Economy."

CHAPTER IX

BANKING IN THE UNITED STATES

Objectives:

(1) To show the importance of banking, the kinds of banks, and the services they render.

(2) To show the development and structure of the banking system in the United States, and the extension of Federal regulation.

A. Significance and Origin of Banking

1. Economic Importance of Banking. Banks, like other economic institutions, have developed in response to definite needs. The wide use of money and credit increased the importance of financial institutions, which have come to serve, not only as depositories of funds, but also as sources of credit. Without the services rendered by banks, our modern industrial order could not function efficiently.

2. Development of Banking Institutions. While the great banking system, such as we know it today, is, in reality, a product of our modern capitalistic society, yet certain banking practices trace their origin to the goldsmiths of the Middle Ages. The goldsmiths, whose original function was the fashioning of jewelry and other fine articles out of gold and silver, found it necessary to keep strongboxes in which to store their precious metals. Other individuals gradually came to entrust their money and valuables to the goldsmiths for safekeeping. Although some of the depositors withdrew their money after a short time, others tended to leave it with the goldsmith bankers for a long period of time. Many depositors withdrew only a portion of their funds at any particular time.

With the passage of time, the goldsmiths discovered the important fact that they were generally in possession of a large store of their depositors' money. They saw that this store of money could be used advantageously. Instead of allowing it to remain idle in their strongboxes, they developed the practice of lending it out at interest, reserving a sufficient amount, however, to meet ordinary withdrawals. These practices of the goldsmiths marked an early step in the development of banks as depositories of funds and as sources of credit. While banks have broadly extended the scope of their activities in modern times, these early practices remain the principal functions of our banks today.

B. Kinds of Banks

Banks are classified, according to the services which they perform, as savings banks, commercial banks, trust companies, and investment banks. They are also classified, according to the form of regulation under which they operate, as national and state banks.

3. Savings Banks. (*a*) *Functions.* Savings banks are financial institutions which provide for the accumulation of savings in small amounts. They benefit the depositor by providing a means of storing surplus funds, and by yielding an interest on those funds. They benefit the community by serving as a source of credit for business enterprises. Savings banks usually invest their funds in long-term credit instruments, such as bonds and first mortgages. It is for this reason that most savings banks require a depositor to give notice before making a withdrawal.

Savings banks are chartered by state governments and operate in accordance with state banking regulations. State governments specify the securities in which savings banks may invest their funds.

(*b*) *Types.* In the United States there are two kinds of savings banks: the stock savings bank and the mutual savings bank. The stock savings bank is an institution which sells its own stock and is operated for the purpose of making a profit for its stockholders. In this type of savings bank, an agreed rate of interest is paid to the depositors on their savings accounts. After the interest has been paid to the depositors and the operating expenses of the bank have been deducted, the profits are shared by the stockholders.

A mutual savings bank does not ordinarily sell stock, in which case, therefore, it has no stockholders. If it does issue stock, the stockholders are all its own depositors. A mutual savings bank is an association of persons who have joined together in conducting a savings institution for the benefit of all concerned in the enterprise. It is an association which operates for the benefit of its depositors. If any profit remains after expenses have been deducted, the profit is paid to the depositors. Mutual savings banks are found chiefly in the northern and eastern sections of the United States.

4. Commercial Banks. (*a*) *Functions.* The commercial bank serves especially as a depository of funds and as a source of credit for business organizations. In recent years commercial banks have enlarged the scope of their activities. They maintain not only savings departments, but also trust departments and safe-deposit vaults.

The commercial bank is especially active in extending short-term loans to business. Short-term loans are those that run for a period of thirty, sixty, or ninety days. The purpose of such loans is to provide business with "working capital" or temporary funds. Commercial banks also deal in foreign exchange and letters of credit.

(*b*) *Types.* Commercial banks may be national banks or state banks. If the bank is national, it receives its charter from the Federal Government and is operated in accordance with national banking regulations. The state bank receives its charter from the state government and is under state banking laws.

5. Trust Companies. The trust company is a financial institution which is incorporated under state laws for the purpose of administering funds or property for the benefit of others. Trust companies have become increasingly important during recent years. They serve as executors of estates, guardians of minors, trustees for property, and as register and transfer agents for stocks and bonds.

When a man dies, he may leave his property in the form of a trust fund to be administered in the interest of his wife and children. Individuals may be appointed to administer this property, or it may be placed in the hands of a trust company. In recent years there has been a growing tendency to entrust the administration of estates to incorporated trust companies, because of the advantages afforded by this type of bank service.

The individual trusteeship is less certain than the trust company. The individual may become incapable of performing the duties of a trustee. He may die, or may be traveling in some distant place when his services are urgently required. He may not possess the financial training or business judgment necessary for the efficient management of the fund which has been entrusted to his care. The trust company, on the other hand, is a corporation and continues in existence indefinitely. It employs men who are especially qualified by training and natural ability to administer trust funds. The services of the trust company are always available when they are needed.

Trust companies not only administer funds which have been entrusted to them, but they also manage businesses in the interest of others. This takes place when an individual wishes to have his business continued, for the benefit of others, after his death.

Trust companies carry on many other banking activities. They accept deposits, extend credit, and also maintain safe-deposit vaults. Because of the many activities engaged in by trust companies, they have been called "department-store banks." The trust company receives its charter from the state government and is regulated by the state.

6. Investment Banks. Investment banks carry on banking functions which differ markedly from those already discussed. They do not accept deposits, maintain savings departments, nor act as trustees for individuals or estates.

Investment banks are active in promoting industry through the sale of securities. These banks underwrite or assume the responsibility for selling to investors large issues of stocks and bonds. In this way, they secure capital for business and governmental projects. Investment banks act as middlemen; without their aid many large enterprises could not be undertaken. They underwrite securities for public utilities, railroads, and other large corporations. Among their investors are such organizations as savings banks and insurance companies.

7. Building and Loan Associations. These institutions provide opportunities for the accumulation of funds through the systematic saving of small amounts. The primary purpose of building and loan associations is to enable their members to purchase homes. They will be discussed in Chapter XV. A building and loan association receives its charter from the state government, and is therefore subject to state banking laws.

During the great depression, building and loan associations, like other credit institutions, suffered severely from the deflation. The Roosevelt recovery program, therefore, created federal savings and loan associations, with federal protection of their deposits, similar to that given deposits in commercial banks belonging to the Federal Reserve System. It also established Federal Home Loan banks to co-ordinate these federal savings and loan associations and to rediscount their paper in a manner similar to that in which the Federal Reserve banks supervise and support their member banks. The process of rediscounting commercial paper by Federal Reserve banks will be explained later in this chapter. Federal savings and loan associations and Federal Home Loan banks will be discussed in Chapter XV, "Stimulating Thrift and Protecting Savings."

C. Services of Banks

8. Deposit Function. Banks serve as the depositories for funds. They also provide facilities for the safekeeping of stocks, bonds, jewels, and other valuable possessions. Without the services of banks as depositories, the surplus funds of individuals and organizations would remain scattered and noneffective. By means of the deposit function of banks, these funds are collected and turned back into productive channels.

(*a*) *Demand Deposits.* Deposits may be either demand deposits or time deposits. A checking account is an example of a demand deposit. The depositor in opening this account has placed his funds in the bank with the intention of making withdrawals by means of checks. A check is a demand made upon a bank for the immediate payment of a sum of money.

Some banks will not open checking accounts for depositors whose balance averages less than a fixed amount which the banks specify as a minimum. Other banks will accept accounts in any amount, but some will make a charge for cashing or clearing checks and other services rendered.

(*b*) *Advantages of Checking Accounts.* Checking accounts, as observed before, have some distinct advantages. The check is a safer and easier means of settling accounts than is the transfer of actual money. The use of checks eliminates the necessity of carrying sums of money and of sending cash through the mail. When canceled, a check serves as evidence of payment, provided that its purpose has been specified on its face. By consulting his vouchers or check stubs, a depositor can keep a record of his expenditures.

The preceding chapter explained how the check can be used to settle a number of accounts without the actual exchange of money. The greater part of modern business, it was indicated, is carried on by check.

(*c*) *Time Deposits.* The savings account is an example of a time deposit. The depositor places his money in the savings account, with the intention not of withdrawing any part of it immediately, but of leaving it there indefinitely to accumulate interest. Savings banks generally require that their depositors notify them in advance of an intended withdrawal.

A savings account encourages thrift and helps to develop self-reliance, stability, perseverance, prudence, economy, and other traits of character which make for good citizenship. The savings account has often served as the basis of successful business careers.

9. Credit Function. The deposit function of banks makes possible the credit function. Banks use the funds which have been deposited with them to extend credit to individuals and organizations. For this reason, they have been called ''reservoirs of credit'' and are important factors in promoting productive activity.

(*a*) *Accepting Promissory Notes.* Just as bank deposits make possible bank loans, so bank deposits arise from bank loans. Banks can credit the accounts of their customers not merely by collecting checks deposited by them but also by accepting their promissory notes. In this way, banks create credit, as well as transfer credit.

An individual applies to his bank for a loan, let us say, of $1000. Before approving the loan the bank will take into consideration the prospective borrower's reputation, the condition of his business, and his assets. If the loan is approved, the bank will credit the borrower's account with a deposit of $1000. The depositor is then privileged to make withdrawals from this account as he sees fit by means of checks. In return for the loan, the borrower gives the bank a promissory note payable in a specified time with interest at a definite rate. As a matter of actual practice, however, the bank usually deducts its interest first and then credits the borrower with a deposit of the principal less interest. Hence, the term *bank discount.*

If the borrower's credit standing is satisfactory to the bank, his promissory note may be accepted without security. This is called an *unsecured note.* On the other hand, the credit standing of the borrower may be such that the bank may require an endorsement of the note by some individual whose credit standing is satisfactory. This is called an *endorsed note.* The bank may also require that the note be secured by collateral in the form of stocks and bonds or real-estate mortgages and titles. This is called a *secured* or *collateral note.*

If the borrower fails to pay an endorsed note, the endorser is held responsible for the debt. In the case of a collateral note, the bank may dispose of the securities of the borrower if he cannot meet his obligations.

(*b*) *Discounting Commercial Paper.* Banks also extend credit when they discount commercial paper. A manufacturing company, for example, may hold a trade acceptance which has been received from a merchant whom we designate as the "acceptor." This trade acceptance, let us say, is for $500, payable in 60 days at 6 per cent. The manufacturing company may desire to have its funds immediately and may not wish to wait 60 days. In that case, the trade acceptance is taken to the bank and discounted. The bank advances the $500 to the manufacturing company and holds the trade acceptance for payment. When the trade acceptance falls due, the acceptor pays the bank the $500 plus interest.

10. Benefits and Bases of Credit. The use of credit stimulates business activity and facilitates production; it tends to create prompt demand for commodities and services. By extending credit to individuals and organizations, therefore, banks not only earn interest for their depositors and a profit for themselves, but they also promote productive enterprises.

Credit is so powerful that it can carry the heavy burden of production and speed the process of exchange far beyond the slow pace of a cash-payment economy. On the other hand, credit is so sensitive that it shrinks away or shrivels up at the mere breath of suspicion. Credit is based on confidence. Confidence, in turn, is based on character, reputation, and ability. Every student should strive to develop those qualities which will win for him the confidence of others.

11. Bank Reserves. When a bank lends funds, it reserves a sufficient amount of cash, so that it can meet expected withdrawals by depositors. The funds which the bank keeps on hand are called the *reserves* and include assets which can be turned quickly into cash.

Banks are credit factories. We have seen how they create deposits out of loans. In this way, banks can expand credit far beyond the amount of funds deposited with them. This process, however, cannot be carried on indefinitely. There is a limit to the expansion of bank credit and that limit is found in bank reserves. Credit may be expanded like the gas in a balloon, even to the bursting point. Bank reserves may be likened to tough fibers in the retaining bag, or better still, to the metal wires which surround it and restrict its expansion beyond the limits of safety.

12. Collection Function of Banks. The extensive use of checks, drafts, and other forms of credit instruments in modern business has given rise to another important service rendered by banks; namely, the collection function.

During the course of a day, business firms receive many checks in payment of accounts. These checks are drawn on different banks, located in the same community or in other communities. It would be difficult and expensive for all business firms to go to each bank in order to make the necessary cash collections on these checks. Firms are relieved of this inconvenience, however, by their banks, which make these collections for them.

Merchants and individuals deposit checks in their own banks. The checks are accepted by the bank and credited to the account of the depositor. Each bank accepts from its customers many checks which have been drawn on other banks. At the end of a day's business the various banks have claims against one another for the checks that have been cashed.

In small communities, where there are only two or three banks, the question of the collection of claims is relatively simple. A messenger, for example, takes the checks cashed by his own bank to the bank on which they were drawn and receives the checks drawn on his own bank. If the value of the checks cashed by one bank exceeds the value of the checks cashed by the other, a settlement is made for the difference.

13. Clearinghouse. The number of banks in large cities complicates the collection of checks. The amount of business carried on is so great that clearinghouses have been established to enable banks to settle their accounts with each other. The clearinghouse is an institution maintained by the banks in a particular locality for the purpose of facilitating the clearing of checks. The increase in the number of banks and the extended use of checks have made the clearinghouse a very important factor in the efficient operation of the banking business. Instead of settling their accounts directly with one another by means of messengers, banks send the checks which they have cashed for other banks to the clearinghouse. Here the claims of the various banks against one another are balanced by each bank's net obligation to or from the clearinghouse.

14. Bank Statements. Banks are required by law to issue bank statements at certain times throughout the year. These statements are published in the local papers. They are important because they reveal the financial condition of the banks. National banks issue their statements in accordance with instructions from the Comptroller of the Currency, while state banks issue their statements in accordance with the requirements of their state banking commissioners.

A bank statement contains a list of the bank's liabilities and assets. An examination of a bank statement will show assets and liabilities arranged in parallel columns. The items on the left are assets; those on the right, liabilities. The total assets on the statement must equal the total liabilities. By assets are meant the cash, notes, securities, mortgages, or real estate which the bank owns; by liabilities are meant the obligations which the bank owes.

15. Note-Issue Function. Bank notes are credit money. They represent promises of the bank to pay the amount designated on the face of the note. Certain banks have been granted the right to issue bank notes.

In accordance with the provisions of the National Banking Act of 1863, the national banks were permitted to issue national bank notes. With the enactment of the Federal Reserve Act in 1913, the Federal Reserve banks were similarly given the authority to issue Federal Reserve bank notes. In 1935, provisions were made for retiring both the national bank notes and the Federal Reserve bank notes. State banks do not issue bank notes, because of a heavy tax which the Federal Government imposes on state bank notes.

Our most important form of bank credit money is the Federal Reserve note. This represents a promise on the part of the Federal Government to pay the amount designated on the note. These notes are issued through the Federal Reserve banks.

16. Other Functions of Banks. In addition to the functions already described, banks perform other important services. Bankers are often called upon to give advice on financial matters to individuals and organizations. The advice of a banker may be of value to the person with funds to invest, and should be sought frequently. Banks also act as guardians for minors, as executors of estates, and as trustees for funds.

D. THE BANKING SYSTEM OF THE UNITED STATES

17. Early Phases of Banking in the United States. (*a*) *First United States Bank.* Soon after the establishment of our Constitution, Alexander Hamilton, the first Secretary of the Treasury, strongly advocated the establishment of a United States Bank. He felt that such an institution was needed to supply the financial needs of the new republic. Despite opposition, Hamilton's views prevailed; and in 1791, Congress chartered the first United States Bank. This bank was established in Philadelphia with branches in other localities.

The charter was for a period of twenty years. The capital of the bank was fixed at $10,000,000. Private subscription accounted for four fifths of this capital, while the Federal Government contributed one fifth. The bank issued notes, received governmental deposits, and aided the government in its financial operations.

Although the First United States Bank proved successful, it met with serious opposition, and its charter was not renewed in 1811. Many individuals opposed the bank because they felt that it was unduly influenced by foreign stockholders. They attacked it also on the grounds that it gave too much financial power to the Federal Government, and that it interfered with the rights of the states.

(*b*) *Second United States Bank.* The confused banking conditions which prevailed in the country after 1811 led to the demand for another United States Bank. In 1816, therefore, Congress chartered the Second United States Bank with a capital of $35,000,000. The charter, as in the case of the First United States Bank, was for a period of twenty years. Again the government contributed one fifth of the capital. The bank issued notes, made loans, and received deposits from individuals and the government.

The Second United States Bank, like the first, met with opposition. Andrew Jackson was particularly relentless in his attacks upon the bank, claiming that it exercised too much power and that it favored the strong financial interests. He attacked the United States Bank as undemocratic in principle.

(*c*) *State Banks and Independent Treasury.* President Jackson withdrew the United States funds from the National Bank and deposited them in state banks which became known as "pet banks." The Second United States Bank ceased to exist in 1836. In 1840, an "Independent Treasury" was created to hold federal funds.

From 1836 to 1863, banking in the United States was carried on solely by state banks. During this time, banks were subjected to little or no regulation. In those cases where there was regulation, it was often inadequate and ineffective. During this period many banks were unsound.

The currency lacked uniformity. There were many kinds of bank notes in circulation, due to the fact that each bank issued its own notes. Many of these notes were worthless, because of the unsound condition of the banks which issued them. The great variety of bank notes also encouraged the circulation of counterfeit money. It has been said that, at one time during this period, there were over five thousand varieties of counterfeit money in circulation.

18. National Banking System. The National Banking System was established in 1863.

(*a*) *Reasons for Its Establishment.* Two main reasons prompted the government to create the National Banking System. The currency, as just observed, lacked uniformity and soundness. There was a demand for currency reform. The War between the States also had put a terrific strain upon the federal finances. It was often necessary to raise large sums in order to carry on the war. One of the ways in which the government attempted to raise this money was through the sale of bonds. The sale of these bonds, however, met with only slight success. It was felt, therefore, that a banking system should be created that would stimulate the sale of these bonds, in addition to bringing about needed reforms in the currency. These two considerations led to the establishment of the National Banking System in 1863.

(*b*) *National Bank Notes.* Under the terms of the National Banking Act of 1863, national banks were permitted to issue their own credit obligations, called *national bank notes.* Before becoming a member of the national system, however, a bank was required to invest part of its capital in government bonds. The government then turned over a supply of national bank notes to the bank which had fulfilled those requirements, but it held as security these government bonds. The amount of the notes was, at first, equivalent to 90 per cent of the value of the government bonds which had been purchased. Later, the requirement was amended so that the bank could issue notes equal to the full value of the bonds. These national bank notes were printed by the Federal Government at the expense of the national banks, and were all of the same kind. The National Banking System, therefore, was able to promote circulation of a currency that was not only sound but also uniform.

The government hoped to stimulate the sale of its securities by allowing bankers to make a good profit on their investment. In addition to the interest paid by the government on its bonds, a banker also obtained interest by loaning out the national bank notes which he received when he bought the bonds.

19. Disadvantages of the National Banking System. Despite the recognized benefits of the National Banking System, it possessed some defects which became strikingly apparent after the close of the War between the States when the business activity of the United States increased in volume and complexity.

(*a*) *Lack of Co-operation.* One of the most serious defects of the National Banking System was the lack of co-operation among individual banks. While it is true that they were members of one great banking system, yet, in reality, these banks functioned as separate units. The lack of co-operation was especially marked, and its consequences were particularly severe in times of financial crisis.

(*b*) *Concentration of Reserves.* Under the National Banking System there were three classes of banking districts. The largest centers were called central reserve cities. The next class was called reserve cities, and the third, nonreserve centers. These nonreserve centers were in country districts.

Each bank was required to maintain a reserve fund against deposits. The banks of the second and third class kept a portion of their reserves in the banks of the larger centers. This system developed a tendency to concentrate reserves in the large city banks, especially the banks of New York City. These reserves could be withdrawn upon demand.

(*c*) *Ineffective Distribution of Reserves.* In times of panic or other financial emergency, every bank acted as an individual institution. Each made frantic efforts to collect its reserves and to secure as much cash as possible. The reserves, however, were so distributed that it was difficult for banks to get cash when they needed it. Because of this ineffective distribution of reserves and the difficulty of securing cash, periods of financial stress proved disastrous to many banks and to thousands of depositors.

The larger banks had loaned sums of money to business concerns and to brokers. When the smaller banks demanded their reserves, the larger banks were compelled to call in their loans. Individuals and business concerns were then forced to sell property and securities, often at a loss, in order to repay their loans. This condition was instrumental in causing or intensifying financial crisis, because it created alarm and shook the confidence of depositors in their banking institutions.

(*d*) *Inelasticity of the Currency.* A final defect of the National Banking System was the inelasticity of the national bank notes. To be effective a banking system must be able to expand its currency when business is good and to contract its currency when business is poor. During times of great economic activity, businessmen need more funds than they do when business is dull.

The national banks, however, found it difficult to meet sudden demands for money. The supply of national bank notes could not be increased or decreased readily enough to meet the fluctuating needs of business.

Under the National Banking System, during times of good business, the banks would be called upon to make loans. They would do this until their available funds were exhausted. When this point was reached, they would have to purchase government bonds in order to obtain additional bank notes, and these had to be paid for with cash. If the banks had already loaned out their funds, it was difficult to obtain additional cash. Even when the funds were at hand, there was a long interval before the bonds could be bought, the notes printed, and finally delivered.

In times of poor business, on the other hand, there was a large supply of national bank notes in excess of business needs. Before these notes could be retired, that is, withdrawn from circulation, the bank would have to sell its government bonds. In periods of declining business, it was difficult and often undesirable to do this.

20. Federal Reserve System. (*a*) *Purposes.* The Federal Reserve System was established in 1913 in order to supply the deficiencies of the National Banking System. It was designed to provide an elastic currency, to bring about greater co-ordination and co-operation in our banking structure, and to effect a more efficient distribution of banking reserves. It was also to serve as a depository for government funds, and as an aid to the government in some of its financial operations.

(*b*) *Board of Governors.* Until 1935, the affairs of the Federal Reserve System were controlled by the Federal Reserve Board. In 1935, this board was replaced by a Board of Governors, consisting of seven members, appointed by the President of the United States with the advice and consent of the Senate. The members of the board serve for a period of fourteen years and may not be reappointed at the expiration of their term of service. One of the seven directors is chosen by the President of the United States to serve as chairman of the Board of Governors. His term of office is for a period of five years. Another member is chosen by the President to serve as vice chairman.

Photo from Keystone View Co.

FEDERAL RESERVE BANK BUILDING, WASHINGTON, D.C.

The Board of Governors exercises general supervision over the Federal Reserve banks. They supervise the issuance of Federal Reserve notes, have authority to change the reserve requirements of member banks as necessity demands, and to suspend a reserve bank if the condition of that bank justifies such action. They also determine the rediscount rate, which may be changed from time to time at their discretion.

(c) *Organization of the Federal Reserve System.* The United States was divided into twelve Federal Reserve districts. The Federal Reserve banks were located at important business centers in order to supply the banking needs of their respective districts.

Federal Reserve banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. In order still farther to extend the range of their activity, most of the Federal Reserve banks have established branches in localities where the volume of business is sufficiently large.

The Federal Reserve banks are not owned by the Federal Government, but are semiprivate banks, subject to federal regulation and control. At the head of each Federal Reserve bank is a board consisting of nine members. Six of these members are appointed by member banks in the district, while the Board of Governors appoints the remaining three members. From these nine members a president is selected who serves for a period of five years. He is known as the Federal Reserve *agent*, and his selection must be approved by the Board of Governors.

Any bank may become a member of the Federal Reserve System by purchasing stock, equal to 6 per cent of its capital and surplus, in the Federal Reserve bank of its district, by complying with other requirements, and by submitting to federal supervision. When a bank has fulfilled the necessary requirements, it becomes a part of the Federal Reserve System and is a member bank. According to the provisions of the Federal Reserve Act, national banks were required to become members of the Federal Reserve System, while other banks were permitted to join if they chose to do so.

21. Services of Federal Reserve Banks. While Federal Reserve banks perform valuable services for individuals and for organizations in the community, in general, they do so indirectly and restrict their banking operations to member banks. For this reason, they have been called "bankers' banks" or "wholesalers of credit."

Federal Reserve banks extend credit to member banks in their own districts by means of Federal Reserve notes, through a process known as *rediscounting*, to be explained in the next section. A Federal Reserve bank may also be required to rediscount commercial paper from other Federal Reserve districts.

Federal Reserve banks accept deposits from member banks which may be counted as reserves of member banks. Federal Reserve banks may be called on to transfer reserves from one district to another. This pooling of reserves and their transfer as occasion requires permits a more effective use of reserves than was possible under the former National Banking System.

Member banks in any Federal Reserve district are required to keep specified reserves against time and demand deposits with the Federal Reserve bank of their district.

Federal Reserve banks also hold deposits of governmental funds and aid the Federal Government in carrying on financial operations. They may also engage in "open-market" operations and buy or sell bonds of the United States Government.

22. Expanding and Contracting the Currency through Rediscounting. One of the outstanding defects of the national banking system was the inelasticity of national bank notes. The supply of these notes could not be increased or decreased to meet the changing demands of business. During periods of great business activity, banks, under the National Banking System, were not always in a position to give credit because their loanable funds had been exhausted. The difficulty of the process by which they could obtain additional funds has already been explained.

The Federal Reserve System provided a means for supplying money to the banks when they needed it by issuing Federal Reserve notes against the rediscounted commercial paper of member banks. This process enabled banks to secure additional funds after their available funds had been loaned.

Earlier in this chapter we learned that banks are credit factories and that the expression *discounting* in banking circles really means borrowing. Federal Reserve banks similarly are wholesale credit factories and rediscounting similarly means reborrowing. If a member bank charges its customer a higher interest rate than it pays the Federal Reserve bank for funds borrowed for this purpose, it finds it profitable to rediscount commercial paper.

A bank belonging to the Federal Reserve System can take the notes of its customers being held as security for its loans, turn them in to the Federal Reserve bank and borrow against them, receiving Federal Reserve notes. The member bank then issues these Federal Reserve notes to other businessmen needing loans or seeking cash. The Federal Reserve bank makes a charge called the rediscount rate, and holds the rediscounted commercial paper as security for the loan to the member bank until it is paid.

Through this system, the supply of Federal Reserve notes can be increased as the needs of business grow. Businessmen can secure loans at their banks, because these banks, in turn, can obtain loans at the Federal Reserve bank. Business activity would suffer seriously if it were not possible to increase the supply of money, through the issuance of Federal Reserve notes against rediscounted commercial paper. There is a limit to the issuance of Federal Reserve notes by the requirement that they must be secured not only by rediscounted commercial paper, but also by a 40 per cent reserve in gold certificates held by the Federal Reserve bank.

Not only must the supply of money be increased when business activity is mounting, but it is also essential that some means be provided to decrease the supply of money when the needs of business decline. The Federal Reserve System also makes provision for retiring Federal Reserve notes when the demand for money is slight. As the businessmen who have borrowed money pay off their notes to the bank, the bank, in turn, pays off its obligations to the Federal Reserve bank in order to escape the rediscount charge. As the Federal Reserve bank receives these payments, Federal Reserve notes are retired from circulation. In this way, the currency is kept elastic: it expands when the need for money is great, and contracts when the demand for money is slight.

E. Extension of Federal Banking Activities

23. Financial Aid for Banks. The depression following the crisis of 1929 put a severe strain upon our financial institutions. The National Government found it necessary to extend aid to distressed banks throughout the country. In 1932, the Reconstruction Finance Corporation was created for the purpose of extending financial aid to banks, railroads, insurance companies, and other economic institutions.

24. Glass-Steagall Banking Act. In 1932, Congress passed the Glass-Steagall Banking Act. Under the provisions of this act, the requirements for issuing Federal Reserve notes were made easier. Formerly, the Federal Reserve banks had been permitted to issue Federal Reserve notes only in exchange for specified kinds of commercial paper. The business depression, however, had seriously diminished the supply of commercial paper. For this reason, Federal Reserve notes were not being issued in large quantities. In order to stimulate the issuance and circulation of Federal Reserve notes, the Glass-Steagall Act permitted Federal Reserve banks to present as collateral government bonds up to 60 per cent of the value of the Federal Reserve notes.

This provision improved the market for United States bonds by encouraging banks to buy them. It also made possible an increase in the number of Federal Reserve notes in circulation. The procedure was indirect, as compared with the direct method of inflation by issuing greenbacks or United States notes.

25. Banking Crisis of 1933. In 1933, the confidence of the people of the United States in the banking institutions of the country had become seriously weakened. In fact, the situation became so acute that it was necessary to declare a bank holiday on March 4, 1933, the day of President Roosevelt's inauguration. Throughout the country the people were without banking services for a period of five days. Banking legislation was speedily enacted to make provisions for the grave emergency which existed. Those banks which satisfied the examiners in regard to their soundness were permitted to resume business. Some were reorganized and put in sound condition. Others, closed during the holiday, never reopened.

26. Safeguarding Deposits. So great had been the losses suffered by bank depositors during the depression, that there was an insistent demand for legislation which would reform banking practices and protect the depositor. In 1933, Congress created the Federal Deposit Insurance Corporation, and made provision for insuring member bank deposits.

The Banking Act of 1933 also contained provisions for curbing speculative activities by banks. Some of the banks, in addition to carrying on their normal activities, were selling stocks and bonds. They were engaged in investment banking, as well as in commercial banking. This activity was carried on through subordinate organizations, called security affiliates. The Act of 1933 ordered banks of deposit to dissolve their security affiliates.

27. Banking Act of 1935. The Banking Act of 1935 made the Federal Deposit Insurance Corporation a permanent body and provided for the insurance of individual deposits up to $5000 in its member banks. This act contained provisions for increasing the reserves of member banks of the Federal Reserve System, if the Board of Governors recommended it, and for changing the rediscount rate from time to time.

Summary. Banks, like other economic institutions, have developed in response to definite economic needs; they perform vital services in the business of getting a living. Two important practices carried on by modern banking, the deposit function and the credit function, are said to have originated during medieval times with Italian goldsmiths. Today, banks also maintain safe-deposit vaults for the storage of valuables, render assistance in the collection of credit instruments, act as guardians for minors, and are trustees of estates. Banks also give advice on financial matters.

These important functions are carried on by a number of different kinds of financial institutions. Among them are savings banks, commercial banks, trust companies, investment banks, and building and loan associations.

Our present banking system is the result of changes that have been taking place for many years. Two important banking institutions distinguished the early period of our banking history: the First United States Bank, chartered by Congress for twenty years in 1791; and the Second United States Bank, chartered by Congress for a similar period in 1816.

The charter for the Second United States Bank was not renewed in 1836, and from 1836 until 1863 banking was carried on by state banks. During this period banking in the United States was characterized by many evils and banking regulation was wholly inadequate.

In order to remedy these evils and also to raise funds for carrying on the War between the States, Congress established the National Banking System in 1863. Although the National Banking System brought certain desired changes, it possessed defects which became increasingly apparent with the business development of the country.

The Federal Reserve System was established in 1913 to supply the deficiencies of the National Banking System and to strengthen our banking structure. It was designed to supply an elastic currency and to provide for an effective distribution and regulation of reserves. The United States was divided into twelve districts with a Federal Reserve bank located in each district. These banks are supervised and controlled by a Board of Governors.

The depression following the stock-market collapse of 1929 imposed a severe burden upon our banking institutions. In 1932, the Reconstruction Finance Corporation was created to aid distressed banks. In the same year, the Glass-Steagall Banking Act was passed. This act made it easier for banks to secure Federal Reserve notes. In 1933, banks of deposit were forced to divorce their security affiliates; investment banking was to be kept separate from commercial banking. In 1933, the Federal Deposit Insurance Corporation was created to provide for the security of member-bank deposits. In 1935, it was made permanent; bank deposits were insured up to the amount of $5000.

Word Study: Surplus; voucher; discount, rediscount; minimum, maximum; collateral; assets, liabilities; trustee, trust company; elastic, inelastic; mutual; depository; endorse, underwrite; reserves, deposits; affiliates.

Questions on the Text

1. What banking practices are said to have originated with the goldsmiths during medieval times?

2. Distinguish between the two types of savings banks.

3. What are the main functions of a commercial bank? A trust company? An investment bank?

4. What is the primary purpose of building and loan associations and of federal savings and loan associations? How do their functions resemble and differ from those of other credit institutions?

5. What are the advantages of a checking account?

6. Discuss the credit function of a bank. The collection function. How does the clearinghouse aid the banks in the exercise of the collection function?

7. What is a bank statement? What items and information should it contain?

8. What was the First United States Bank? The Second United States Bank? Why was not the charter of each renewed?

9. Why was the National Banking System established? What were its principal defects?

10. When was the Federal Reserve System established? Why? How many Federal Reserve districts are there? How many Federal Reserve banks? How is a Federal Reserve bank governed?

11. How does a bank become a member of the Federal Reserve System? What services are rendered by a Federal Reserve bank to the banks in its district?

12. Show how Federal Reserve notes can be increased or decreased to meet the needs of business.

13. Why was a banking holiday declared in March 1933? What resulted?

14. What was the purpose of creating the Federal Deposit Insurance Corporation? What does it do?

Application and Interpretation

1. Which banks in your community cater to businessmen who desire short-term loans? What services do they render?

2. If you had a large estate to leave to heirs, would you prefer to have it administered by a trust company or by an individual? Give reasons for your preference.

3. Is there a building and loan association in your community? How does it help people to obtain homes?

4. How does a savings account promote good citizenship?

5. How does the credit function of banks promote the welfare of the workers?

6. In what city is the Federal Reserve bank of your district located? Why is that a good location?

7. Although the Federal Reserve bank has been called "the banker's bank," how does it serve indirectly the businessmen of your community?

8. Why is it advisable to obtain advice from a banker on financial matters? What personal or family problems would be of concern to him?

9. What recent legislation has made the savings account of your father safer today than it would have been ten years ago?

SUGGESTED ACTIVITIES

I. Prepare talks on the following topics:

1. Goldsmiths of the Middle Ages.
2. Alexander Hamilton and the First United States Bank.
3. Andrew Jackson and the Second United States Bank.
4. Organization of the Federal Reserve System.
5. Banking holiday in 1933.
6. Guaranteeing bank deposits.

II. Draw cartoons illustrating:

1. How the credit function of the bank aids the community.
2. How a Federal Reserve bank aids the businessman when there is a great demand for money.
3. Some effects of bank failures.

III. Have a committee visit a bank. Report to the class on the type of bank visited, its organization, functions, and the duties of the officers.

IV. Secure from a local bank, if possible, a speaker who will describe the work of a bank.

V. Have a committee investigate the practicability of starting a savings bank in your school. If conditions warrant, have the committee plan the organization of such a bank and submit the plan to the teacher and class for approval.

COLLATERAL READINGS

ARNOLD—*Problems in American Life;* Chap. VIII, "Money, Credit, and Banking."

ATKINS and WUBNIG—*Our Economic World;* Chap. X, "The Commercial Bank."

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap.

VI, "Banking Collapse"; Vol. II, Chap. VIII, "Regulation of Banks."

CORBETT and COLVIN—*Modern Economics;* Unit VIII, "The Government and Banking."

FAY and BAGLEY—*Elements of Economics;* Chap. XIV, "Credit and Banking"; Chap. XV, "Credit and Banking."

HART—*Visualized Problems of American Democracy;* Chap. XVI, "Money and Banking."

JANZEN and STEPHENSON—*Everyday Economics;* Chap. XVI, "Commercial Banks and Banking"; Chap. XVII, "The Banking System of the United States."

KEISTER—*Our Financial System;* Parts IV and V.

SMITH—*Economics;* Chap. XX, "Banks and Banking"; Chap. XXI, "Banking System of the United States."

THOMPSON—*High School Economics;* Chap. XIX, "Banks and Banking."

WOODS—*The Story of Uncle Sam's Money;* Chap. X, "How the Federal Reserve Banks Aid the Treasury."

ADVANCED READINGS

BOGART—*Economic History of the American People;* see Index.

ELY—*Outlines of Economics;* Chap. XV, "Credit and Banking."

HOLDSWORTH—*Money and Banking.*

KEMMERER—*The ABC of the Federal Reserve System.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Chap. VII, "Our Banking System"; Chap. VIII, "Recent Banking Problems."

RODKEY—*The Banking Process.*

SLICHTER—*Modern Economic Society;* Chap. XI, "Modern Industry—A Credit Economy."

WELLS—*The Work, Wealth, and Happiness of Mankind;* Vol. I, Chap. IX, "How Work Is Paid for and Wealth Accumulated."

WHITE—*Money and Banking.*

CHAPTER X

INTERNATIONAL TRADE AND THE TARIFF

Objectives:

(1) To examine international trade, the conditions that promote it, and benefits and problems resulting from it.
(2) To see the development of the foreign trade of the United States, and to analyze the viewpoints concerning free trade and the tariff.

A. International Trade

1. Development of International Trade. In the simple life of primitive man, trade was unimportant because each family produced for its own use and not for sale. With the development of civilization men became increasingly dependent upon one another for the satisfaction of their wants. Not only did individuals, communities, and regions find it necessary to trade goods with one another, but nations also found that they could gratify wants more effectively by trading with other nations. While some nations are relatively self-sufficient, there is no nation which does not depend in some measure upon its neighbors, and obtain advantages by trading with them.

2. Comparison of International and Domestic Trade. Trade that is carried on within the borders of a country is called *domestic trade,* while trade that is carried on by one nation with another is called *international trade.* When we speak of international trade we do not mean that the trade is carried on by the governments of the different countries, but rather by individuals, groups, and business organizations in those countries.

International trade is similar in many respects to domestic trade, but it is carried on with far more difficulty, because of tariff barriers, long distances, and the differences in currency, speech, customs, and political institutions of various countries.

3. Items of International Trade. The items that are exchanged in international trade are classified as exports and imports. Exports are those commodities which are sold to foreign countries and imports are those commodities which are bought from foreign countries.

Those goods which can be seen easily are called *visible items;* those which cannot be seen easily are called *invisible items.* Among the visible items are such commodities as typewriters, automobiles, coffee, tea, and rubber. Among the invisible items are charges for shipping and for other services involved in foreign trade, the expenses of travelers in foreign countries, payments on foreign loans, and the remittances of immigrants to their families in their native countries.

4. Balance of Trade. In international trade, the value of goods bought tends, over a long period of time, to equal the value of goods sold. The difference between the value of the goods a nation sells and the value of the goods it buys is called the *balance of trade.* Because it has often been considered desirable for a nation to export more goods than it imports, a nation that has an excess value of exports over imports is said to have a favorable balance of trade. When a nation imports more in value than it exports, it is said to have an unfavorable balance of trade.

5. International Payments. Our discussion of credit instruments in Chapter VIII noted the use of bills of exchange, checks, and trade acceptances to settle accounts in domestic trade without the actual use of money. The different currencies of the various countries and the long distances involved in settling international accounts make the use of money impractical. Consequently credit instruments are especially important in making international settlements. Gold has generally been used only for the final settlement of net trade differences.

6. Principles Underlying International Trade. (*a*) *Geographical Division of Labor.* International trade is based on geographical division of labor. This is, in large measure, brought about by such factors as soil, climate, geographic position, natural resources, industrial organization, transportation, and communication. Just as it has been found profitable to devote large areas of the United States to the production of certain commodities for which they were especially well adapted, so nations have concentrated their efforts on the production of particular commodities which they have been especially fitted to produce. A nation tends to export those goods which native conditions have enabled it to produce with the greatest economic advantage, and to import other goods which can be produced less advantageously, if at all, at home.

(*b*) *Comparative Advantages.* A country may possess an advantage over other countries in the production of many commodities. It will not necessarily, however, export all these commodities. It will tend to export those in which it possesses the greatest relative advantage. It finds that it can make a greater profit by specializing on some commodities to the exclusion of others. This has been called the principle of *relative advantage* or the law of *comparative costs.*

A country may even import from other countries goods which it is well fitted to produce itself. To produce these goods, however, would divert energies which could be more profitably employed in other directions. This principle is illustrated also in the case of a man who may be qualified both as a carpenter and as a plumber. If he tried to engage in both occupations, his energies would be so divided that he would not be able to produce as much as if he concentrated his efforts upon the one occupation in which he was more capable.

(*c*) *Reciprocity in Trade.* The principle of comparative advantage explains why a country, like an individual, specializes in whatever it can do best. One country may find it profitable to import some goods which can be produced more efficiently at home; that is, in the importing country. This is done in order to permit concentration upon the goods which it can produce even more efficiently. But why will the less fortunate country produce for export those goods which the importing country can produce better? It will do so in order to get funds in the markets of the world with which to buy those goods which it can produce, if at all, only under still greater disadvantages.

In other words, a country must export in order to secure purchasing power with which to pay for its imports. In the long run, the value of the total exports, invisible as well as visible, to all countries tends to equal the value of its total imports. This is the principle of reciprocity, which applies to individuals, communities, and nations. One must sell in order to buy goods; and, conversely, a prospective customer must be able to sell goods in order to buy goods from a prospective seller.

7. Factors Promoting International Trade. (*a*) *Climate and Soil.* Because of favorable conditions of climate and soil, some commodities can be raised in one country which cannot be raised in others. Geographic conditions in Brazil are favorable for the production of coffee; in British Malaya, for the production of rubber; in Central America, for the production of cocoa and bananas; in Japan and China, for the production of tea and silk; in Argentina, for the production of cattle; in Egypt and southern United States, for the production of cotton. These commodities tend to become the exports of those countries.

(*b*) *Natural Resources.* As important as climate and soil in determining the products on which a region or nation will specialize, are the natural resources of that nation. Her deposits of coal and iron have made it profitable for England to export these commodities. The forests of Canada supply the United States and many other countries with pulpwood for paper. The oil deposits of the United States and Russia find their way to far distant countries. The iron ore mined in the Lake Superior region of the United States has been used for rivets and steel bars in Canada and South American countries.

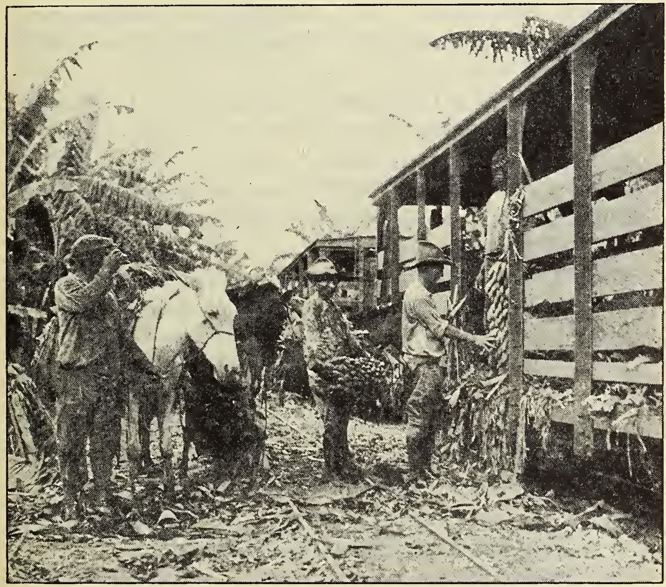


Photo by James Sawders

LOADING BANANAS IN GUATEMALA

(*c*) *Significance of Mineral Deposits.* The country with an abundance of coal, iron, oil, and other mineral deposits has a tremendous advantage over those nations whose supply of these products is meager. These mineral deposits have been a vitally important factor in the rise of the world's great industrial nations. Because England, France, Germany, and Czechoslovakia have large deposits of coal, they have been able to build great factories and produce vast quantities of manufactured goods which have comprised a large part of the world's exports.

(*d*) *Influence of Industrial Organization.* The factory system has exerted a powerful influence in promoting international trade. It increased enormously the quantity and variety of products. In the need which it created for foreign markets, it gave international trade a great impetus.

Not only was there a demand for markets in which to dispose of the vast quantity of finished goods, but there was also a demand for markets where large supplies of raw materials could be purchased. In most cases, the manufacturing nations themselves did not possess the raw materials to feed their machines. England, for example, which was the first nation to become industrialized, sends her factory products to all parts of the world, and depends upon countries beyond her borders to supply her with many necessary raw materials.

The United States is exceptionally self-sufficient, yet we depend on other nations for rubber, tin, silk, nickel, pulpwood, and many other commodities. It is said that in the manufacture of the automobile alone, materials are supplied to us by fifty-six countries.

(*e*) *Importance of Transportation and Communication.* Improved means of transportation and communication have opened up vast areas to trade and commerce. Today, goods can be shipped quickly, cheaply, and safely to all the markets of the world. By means of the telephone, telegraph, and cable, buyers and sellers, thousands of miles apart, are in almost instant communication with one another.

8. Advantages of International Trade. International trade has brought to the nations engaging in it benefits, not only of an economic nature, but also of a cultural and political nature.

By enabling countries to concentrate their attention upon those commodities which they can produce with the greatest economic advantage, international trade has permitted greater specialization, thereby increasing efficiency and productive power, and reducing costs of production.

International trade enables countries to enjoy a greater variety of commodities than would be the case if each country were limited to its own native products and manufactured goods. Many of the commodities we enjoy in the United States today are brought to us from foreign lands. Among them are rubber, from Sumatra; coffee, from Brazil; tea, from China; bananas, from Honduras; dyes, from Germany.

Through international trade, nations become conscious of their dependence, one on the other. This places an economic value upon the maintenance of peaceful relations. Through the contacts established by an exchange of products, the people of the world become acquainted with one another's ideals, customs, speech, habits, philosophy, and culture. This develops sympathy and understanding, and leads to greater harmony and co-operation among the nations of the world.

9. Problems of International Trade. Despite its advantages, foreign trade has given rise to serious international complications.

(*a*) *Economic Struggle for Markets and Raw Materials.* The industrialization of nations, which enormously increased production and quickened commercial activity, provoked a bitter struggle for world markets. Throughout the nineteenth century the competition of the leading industrial nations for the markets of the world was particularly severe. Colonies were sought as markets for manufactured goods and as sources of raw materials. In this struggle for supremacy in world trade, friction between nations became so intense that, in some instances, war resulted.

(*b*) *Economic Self-sufficiency.* Since the World War, many nations have displayed a desire to be economically self-sufficient, and have adopted a program of economic nationalism. A nation committed to such a program seeks to build up its economic life so that it can provide within its own borders all those commodities which are needed to carry on its existence and to promote its prosperity. It seeks to free itself from a dependence on other nations for manufactured goods and raw materials. One of the results of economic nationalism has been the erection of high tariff walls designed to check the importation of goods from other countries. These tariff walls have created jealousy, suspicion, ill feeling, and tension among nations.

(*c*) *Economic Interdependence.* A serious problem of modern economic life has arisen from the very specialization and interdependence which international trade has fostered. Some nations have devoted the major part of their economic effort to the production of commodities for consumption in other countries. They, in turn, depend on sources beyond their borders for the satisfaction of some of their most fundamental wants. When world-wide economic dislocations take place, they are felt with especial severity in those countries which engage extensively in international trade. England is particularly dependent on foreign trade. During the World War her very food supply was threatened by the activities of German submarines. The renewal of hostilities in 1939 revived this danger to Britain.

Today, all nations are so closely bound together by commercial ties that a serious economic disturbance in one country may be reflected in business depression throughout the world.

B. Development of the Foreign Trade of the United States

10. Growth in Volume. Because of our abundant and varied natural resources, as well as our highly developed industrial system, the United States, perhaps more than any other nation, is economically self-sufficient. Notwithstanding this fact, foreign trade has played an important part in our economic life.

Before the War between the States our foreign trade amounted to less than one half a billion dollars annually. Thereafter it grew rapidly and steadily. The period of our greatest expansion of foreign trade was in the decade following 1914. The World War created such enormous demands on our factories, farms, and mines, that our export trade reached unprecedented proportions.

After Europe's economic recovery from the ravages of the World War, our foreign trade declined; and with the world depression following 1929, it took a sharp drop. From almost 14 billions a year in 1920, it declined to less than 3½ billions in 1931.

11. Change in Character. During the first half of the nineteenth century, our exports consisted mostly of raw materials and agricultural products. During the second half of the nineteenth century, however, manufactured goods began to hold a larger place in the list of our exports; they are now shipped to all parts of the world.

12. Uncle Sam's Best Customers. Throughout the period of the World War and the years which followed it, the United States exported enormous quantities of goods abroad. Our most important customers, just before the great world depression of the early 30's, were the United Kingdom, Canada, Germany, Japan, France, Argentina, Italy, Australia, China, and Mexico.

13. United States Becomes a Creditor Nation. Nations, like individuals, have been called creditors and debtors. The fact that the value of a country's exports exceeds the value of its imports does not necessarily make that country a creditor nation. In considering a nation's credit or debit standing, one must consider not only the total of visible items exchanged, but also payments on loans, remittances by foreigners to their native countries, expenditures of tourists, and other invisible items of exchange.

For many years, the United States had been a debtor nation. Its imports had exceeded its exports, and its debit accounts with foreign countries had exceeded its credit accounts. One of the reasons for this had been that the European capitalists had promoted the development of American railroads and other industrial enterprises. These investments by foreigners constituted a large percentage of our imports. The United States received European capital goods, such as steel rails, but Europeans held title, in part, to American securities.

After industrialization, our exports increased at a rapid rate, and by 1873 began to exceed our imports. We continued to import such essential commodities as coffee, tea, sugar, rubber, tin, cocoa, hides, furs, and silks. Our manufactured goods, however, such as sewing machines, agricultural machinery and locomotives (later, automobiles and typewriters) were finding their way to many parts of the world. We were able not only to pay back to European capitalists the funds which they had invested here, but also to make extensive loans abroad.

With the outbreak of the World War, European nations imported vast quantities of American goods and floated huge loans in this country; the United States had become a creditor nation. American exports and loans to Europe continued in huge volume during and after the World War. As we shall soon see, the problem of repayment became difficult and the possibility remote. These factors contributed to the financial crisis of 1929, the collapse of many foreign securities, the repudiation of government debts, and the decrease in American exports, just noted.

C. The Tariff

14. Importance of Problem. Throughout our history as a nation, the tariff has been one of the most persistent problems confronting the American people. Unfortunately, it has been difficult for the ordinary citizen to obtain an unbiased opinion concerning it. The tariff has served as the basis for bitterness and for heated political argument. The work of fixing a tariff policy has been attended by inefficiency, political trickery, and logrolling. When politicians, in order to advance their own interests, agree to return favors for favors received, they are resorting to the practice of logrolling. Sectional groups have often exerted pressure to obtain tariff rates which would favor their own interests. So openly have the interests of the country as a whole been disregarded in the attempts of individuals and groups to secure special favors for themselves from those who fix policies and rates, that the tariff has been called "the football of politics." While viewpoints regarding tariff policies differ widely, all are agreed that the question of tariffs is vitally important to the nation's business.

15. Nature and Kinds of Tariffs. A tariff is a form of tax or duty placed on imports. The Federal Constitution forbids a duty on exports.

In general, there are two kinds of tariffs, depending upon their purpose: tariffs for protection and tariffs for revenue. When a country places a duty upon imports for the purpose of restricting the imports which compete with domestic products, this duty or levy is called a protective tariff. Protective tariffs not only provide protection, but also furnish revenue. Tariffs which are levied solely, or even primarily, for the purpose of providing revenue for the government are called tariffs for revenue.

The duties placed upon imports may be either *ad valorem* or specific duties. *Ad valorem* duties are those which are levied upon the monetary value of the goods imported. Specific duties are those which are levied upon individual articles or physical units; that is, per dozen, per pound, or per yard. Compound duties are both *ad valorem* and specific.

16. Some Viewpoints Regarding Tariffs. Viewpoints regarding the tariff range from the one extreme of those who maintain that the interests of American business can be served only through a high protective tariff to the other extreme of those who would abandon completely our policy of protecting American industry against foreign competition. The latter group advocate free trade as the policy which, in their opinion, would serve the best interests of most people of the United States. Between these two extremes, are those who believe tariff rates should be high on some imports, low on others, and not placed at all upon still others.

Since the World War, with the rise of economic nationalism, the question of tariffs has become increasingly important throughout the world. There has been an obvious attempt on the part of many nations to safeguard their own industries and to bring about a greater degree of self-sufficiency by restricting imports through the erection of high tariff walls. In fact, many of these tariffs have been so effective in checking the flow of goods in international trade, that they have been called "trade barriers." The decline in world trade and even the world-wide depression itself have been attributed by some economists, in part, to these high tariff policies.

17. Early American Tariffs. (*a*) *Protective Principle Established.* The first truly protective tariff established in the United States was passed by Congress in 1816. The purpose of this tariff was to protect the infant industries which had made their appearance in the United States during the Napoleonic Wars and the War of 1812. Interference with our commerce, the loss of some foreign markets, and the reduction of imports had forced our people to become dependent on themselves for the production of many of the goods which they had formerly received from Europe. Necessity, therefore, gave impetus to the start of the factory system in America. At the close of the European Wars, the competition from English manufactured goods threatened the existence of the new American industries. It was in order to protect these domestic manufacturers that Congress passed the Tariff of 1816.

The Tariff of 1816 was passed without much controversy. Both the North and the South favored it. Later the Southern States, which had not become industrialized, felt that the tariff duties were excessive and that they worked a hardship upon the South. They began to voice vigorous protests against the increased cost of manufactured goods.

(*b*) *Tariff of Abominations.* In 1828, Congress passed another tariff. It placed a duty not only upon manufactured goods but upon raw materials as well. This tariff was so unpopular that it became known as "the Tariff of Abominations." Disapproval was particularly strong in the Southern States. South Carolina became the center of southern resentment. It was the ill feeling created by the Tariff of 1828 that prompted John C. Calhoun to issue his famous protest and to threaten nullification.

In 1832, the South was still further antagonized by a new tariff, which altered only slightly the provisions of the Tariff of Abominations. South Carolina threatened to secede from the Union. President Jackson met this threat with the announcement that he would use the armed forces of the nation, if necessary, to enforce compliance with the terms of the tariff.

(*c*) *Compromise and Reduction in Rates.* The Compromise Tariff of 1833 eased the tension in the South. It made provision for a gradual reduction in tariff rates up to the year 1842. From this period until the War between the States, lower tariff rates prevailed.

18. Later American Tariffs. (*a*) *Effect of War between the States.* The Morrill Act of 1861 raised tariff rates, and subsequent legislation still further increased them. Although passed as emergency measures to provide additional revenue for carrying on the war, these higher rates were maintained for a generation. Home industries, encouraged by a policy of protection, objected to any reduction in tariff rates. The Republican party which had come into power was committed to the policy of protection.

(*b*) *Subject of Political Controversy.* During President Cleveland's Democratic administrations, the tariff became a subject for political debate. In his first term of office, Cleveland made an effort to lower the tariff rates but was unsuccessful. The Republicans won the election of President Harrison in 1888, and, with the passage of the McKinley Tariff Act in 1890, tariff rates reached a new high point. The McKinley Tariff Act was particularly resented because it placed a duty upon household goods. Discontent and resentment were so strong that in 1892, Cleveland, the advocate of a lower tariff, was returned to the Presidency. As a result of his election, the Wilson Tariff Act, which lowered rates, was passed in 1894.

The Republican party, in turn, blamed the depression of the early nineties on the reduction in tariff rates. It was successful in the election of McKinley in 1896, and the Dingley Act was passed in 1897. This restored many of the rates to the point they had reached in the McKinley Act.

(*c*) *Payne-Aldrich Tariff.* The country remained under Republican control until 1912, and during this time there was little variation in tariff policy. In 1910, the passage of the Payne-Aldrich Tariff caused disappointment to many people because it did not lower the tariff rates to the point they had been led to expect. The dissatisfaction in the Republican party over the provisions of this tariff was a factor in the creation of the Progressive party and in the election of Woodrow Wilson, a Democrat, to the Presidency.

(*d*) *Underwood Act.* The Underwood Act of 1913 reflected the tariff views of the Democratic party which had come into power with the election in 1912 of Woodrow Wilson. This tariff removed some commodities from the tax list, and lowered the rates on others.

(*e*) *Fordney-McCumber Act and Flexible Tariff.* The success of the Republicans in the national election of 1920 assured revision of the Underwood Act. After the World War, there was a demand for increased protection, not only for manufactured goods, but also for agricultural products. The Fordney-McCumber Act of 1922 was passed in response to this demand.

This tariff contained a flexible clause that permitted the President to increase or decrease tariff rates by an amount not to exceed 50 per cent. The purpose of this flexible clause was to enable the President to fix upon goods which competed with American products a tariff rate that would be high enough to offset the lower cost of production in foreign countries.

(*f*) *Smoot-Hawley Tariff.* In 1930, Congress, still under Republican control, passed the Smoot-Hawley tariff which fixed rates at the highest level yet attained in American history.

(*g*) *Reciprocal Tariff Act.* During the world depression, many nations, in order to protect their own markets, and to bring about a greater degree of economic self-sufficiency, erected high tariff barriers. Some of these tariff walls were said to be retaliatory measures directed against the Smoot-Hawley Act. Under these tariff barriers, international trade languished.

In 1934, in order to stimulate foreign trade and to encourage the lowering of tariff barriers against the goods of the United States, Congress, under Democratic control, passed the Reciprocal Tariff Act. This act empowered the President to make trade agreements with other powers, and to lower the rates of the 1930 Tariff Act, wherever he considered it advisable, by an amount not to exceed 50 per cent. In this way, the President might adjust the tariff scale of the United States in proportion to the scale adopted by other nations.

In 1939, the United States had trade agreements with twenty foreign countries. Among these countries were the United Kingdom and Canada who have been the best customers of the United States.

19. Tariff Commission. For many years, it had been felt that the tariffs were unscientifically prepared; that they were drawn up without sufficient knowledge of the needs of American business and of the effects of tariff measures upon the industries of the country. It was also commonly believed that tariffs were prepared under the influence of political pressure applied by self-interested individuals and groups.

In order to bring about greater efficiency in the making of tariffs and to eliminate undue political influence, Congress, in 1916, created the Tariff Commission. The Tariff Commission is composed of six men appointed by the President with the advice and consent of the Senate. It is made up of members of both political parties. An important function of this committee is to secure information that will assist Congress in adjusting tariffs to the needs of the nation.

20. Free Trade. (*a*) *Nature.* Free trade is the name applied to the policy by which commodities are permitted to pass from one nation to another unrestricted by tariff barriers.

(*b*) *Advantages of Free Trade.* Advocates of free trade point out some distinct advantages that result from its operation. They maintain that it permits a nation to specialize to a greater extent than would be possible under the policy of protection. The greater degree of specialization promotes efficiency and economy. Under free trade, it would not be necessary for a nation to expend capital and labor upon the raising or manufacturing of those goods which can be produced only with great difficulty or at a relative disadvantage; each nation could concentrate its energy upon those commodities which it produces most advantageously or least disadvantageously.

In our own country, no tariff barriers impede the passage of goods from one state to another. This policy of free trade has proved mutually beneficial to the entire Union of states. Were tariff barriers imposed, each state would find it necessary to produce the commodities which it now receives from other states. In many cases, this would be inexpedient, difficult, and wasteful. For example, it would be only by creating hothouse conditions that Pennsylvania could raise the oranges and other citrus fruits which are produced in natural abundance in Florida and California. These states, in turn, would not be able to produce coal for themselves.

(*c*) *Disadvantages of Free Trade.* Free trade has its vehement critics, as well as its stanch advocates. The opponents of free trade bitterly assail it on the ground that it tends to retard, if not to prevent, the industrial development of a country by failing to afford adequate protection for infant industries. They also claim that the overspecialization which free trade encourages seriously endangers the economic security of a country, especially during periods of world depression or war. Forced to depend on world markets for the goods to sustain life and economic well-being, the nation which has geared its industries to production for unrestricted foreign trade, is in an insecure condition during a period of world economic upheaval. The delicate position of England during the World War has been cited as an example of the dangers of overspecialization and extreme dependence on foreign markets.

For many years England had been the best example of the policy of free trade. She had become industrialized before the other nations, and sent the products of her factories to all parts of the world. In return, she depended on other nations for many of the products which they exported. Under the policy of free trade, England prospered and accumulated vast wealth. English capitalists invested much of this wealth in the countries with which they traded. The system benefited not only England, but her customers as well. In 1932, however, Britain abandoned her historic free-trade policy and joined other nations of the world in levying protective duties upon imports.

21. Arguments for and against a Protective Tariff. (*a*) *Infant Industry Argument.* The principal argument for a protective tariff is that it protects infant industries by a tax on imports that would compete with home manufactures. If it were not for the protection afforded by tariff measures, new industries could not survive the competition of cheaper foreign goods.

Against this argument, the opponents of a high protective tariff maintain that many of our industries, although operating for many years, have never admitted a degree of maturity sufficient to dispense with the protective tariff. They claim that the "infant-industry" argument has been used as an excuse by well-established concerns to obtain excessively high profits in a protected market. This argument has also been attacked by those who claim that the protective tariff has created conditions in the United States which have given rise to the formation of huge industrial combinations called *trusts,* discussed in Chapter V.

(*b*) *Wages and Standards of Living.* A second familiar argument for a high protective tariff is that it provides good wages and high planes of living for the American workman. Because he does not have to compete with cheaply made foreign goods, the American manufacturer can afford to pay his workers higher money wages than those which prevail in other industrial countries.

On the other hand, it is pointed out that although money wages are higher in many protected industries in the United States, the effect of the higher money wages in these industries is to increase the cost of goods for the workers in all industries, and consequently to raise the cost of living for the people as a whole. The European worker may receive lower money wages, but he also pays less for the necessities of life. Hence, his real wages, or what his money wages will buy, are not so much lower. Advocates of a protective tariff have pointed to the fact that wages have been higher in protectionist America than in free-trade England. They have neglected to point out that wages were lower in protectionist Germany than in free-trade Britain.

Opponents of the protective tariff maintain that the higher plane of living prevailing among workers in the United States is due not to the tariff, but to our rich natural resources and to the efficiency of our economic organization.

(*c*) *Home Market.* As a further argument, advocates of a high protective tariff claim that, by means of a tariff on imports, a home market is created and maintained not only for the manufacturers but also for the farmers of the country. As long as industry is flourishing, factory workers receiving good wages provide a dependable group of domestic purchasers for the agricultural products of the United States. Such a market is not subjected to the uncertainties existing in foreign markets.

In imposing high tariffs on our imports, however, the opponents of a high tariff contend that, although we may have enlarged our home market somewhat, on the other hand we have reduced our foreign markets, since foreigners cannot afford to buy from us if we do not buy from them. The decrease of imports therefore makes it difficult for manufacturers and farmers to find outlets for their surpluses beyond the boundaries of the home market.

(*d*) *National Security and Independence.* An argument for a high protective tariff, which is receiving strong support from some of the leading European countries at the present time, is that it creates a greater degree of national security. They point out that the overspecialization encouraged by free trade makes a nation dependent on foreign markets. A nation committed to the policy of free trade may be seriously handicapped during international crises when foreign trade is interrupted. A system of protective tariffs results in less specialization and greater variety of home industries.

The existence of many different kinds of industries promotes economic self-sufficiency. A nation is said to be economically self-sufficient when it does not depend, to any great extent, on other countries for agricultural products, raw materials, and manufactured goods. The argument of self-sufficiency has assumed an added significance since the World War. During that great struggle, there were nations that found themselves desperately in need of raw materials and manufactured goods not produced within their own borders. This argument of national security is countered by the claim that the imposition of high tariffs, by promoting international friction and ill will, discourages the flow of foreign trade, creates national jealousies, and sows the seeds of war; thereby it defeats its very aim of national security.

22. American Tariffs and European Debts. The tariff barriers erected by many nations since the World War have had far-reaching consequences. They have not only reduced international trade to very low levels and retarded the economic recovery of the great trading nations of the world, but they have also made difficult, if not impossible, the payment to the United States of the war debts contracted by European nations.

The United States loaned the allied powers enormous sums of money to assist them in carrying on the World War and to aid in rehabilitating these nations at the close of the war. The total debts of various foreign governments to the government of the United States amounted to more than twelve billion dollars; only a small fraction of this debt has been paid. Private investments of the people of the United States in foreign securities amounted to an even greater sum; many of them were in default.

Loans from the United States to the European powers, in reality, were composed of the commodities which we exported to those countries. Since the debtor nations could not possibly obtain supplies of gold sufficient to settle their enormous obligations they would be forced to repay their debt to the United States in goods. Our tariffs in 1920 and 1930, however, with their high duties on imports, prevented the settlement by this means of both the public war debts and the private postwar commercial debts.

23. Economic Nationalism. Economic nationalism is a term applied to that political philosophy which seeks to build up a nation's wealth, power, and prestige to the point where it can be independent of other nations for those things on which its economic well-being depends. It is an intensified desire to bring about economic self-sufficiency.

Undoubtedly the World War stimulated the spirit of economic nationalism. In recent years, this spirit has become intensified in nearly all the nations of the world and has been a strong factor in the erection of high tariff walls. Nations have appealed to the patriotism of their citizens in urging them to buy only goods produced in their own country. This form of patriotism has not encouraged the development of harmonious relations among nations. It has tended to create friction and bitterness, and to make more difficult the development of a spirit of international peace and co-operation.

24. Trade, Neutrality, and War. In times of war or international disturbance the question of international trade becomes especially complicated. The United States is faced today with the problem of maintaining its neutrality in a world which is disturbed by grave international incidents and crises. There are many who fear that the United States will become involved in the European War which broke out in 1939, especially in view of our prompt repeal of the embargo against the exportation of war materials.

There are differences of opinion as to what our policy should be. Some groups believe that we should boycott, refuse to trade with aggressor nations; others claim that we should refuse to trade with all belligerents, the nations attacked as well as those attacking; and still others urge selling to all nations on a cash-and-carry basis. The gravity of the international situation at the present time places a heavy burden upon those who are entrusted with the responsibility of keeping the United States out of war.

Summary. As civilization advanced, not only did individuals and communities exchange goods with one another, but nations also found that they could more effectively gratify their wants by trading with other nations. The trading that is carried on by the people of one nation with those of another has been called international trade. The articles that are exchanged in international trade are called exports and imports. Exports are those items which are sold to foreign countries; imports are those items which are bought from foreign countries.

By encouraging specialization, geographical division of labor has, in large measure, promoted the rise of international trade. The climate, natural resources, and industrial organization of a country tend to determine the commodities which can be produced with the greatest relative advantage. These commodities become exports. Despite its unquestioned benefits, however, foreign trade has given rise to serious international problems of a political, as well as an economic, nature.

The growth of the international trade of the United States has been remarkable. The period of its greatest expansion was during and immediately after the World

War. In 1914, for the first time in its history, the United States became a creditor nation.

With the rise of the factory system in the United States and the production of manufactured goods, an interest developed in establishing tariffs, not only for the purpose of providing revenue for the government, but also for protecting American industries against foreign competition. Early in our history Congress passed a protective tariff; the subsequent tariff policy of the United States has been, with few exceptions, one of high protective levies.

In 1916, the Tariff Commission was created in order to bring about greater efficiency in the making of tariffs, and to eliminate political trickery and logrolling in the fixing of levies.

A new tariff policy was inaugurated in 1934 with the passage of the Reciprocal Tariff Act. This act permits the President of the United States to make trade agreements with other powers, and to adjust the tariff scale of the United States to the scale adopted by other nations.

Since the World War, the spirit of economic nationalism has grown to an alarming degree. This political philosophy, which seeks to build up the resources and industries of a nation to the point of economic self-sufficiency, has been a powerful factor in the erection of high tariff walls. This has tended to reduce international trade to very low levels, to create friction and bitterness among nations, and to make difficult the development of cordial international relations.

Word Study: Tariff, protective tariff, revenue tariff; flexible, retaliatory, reciprocal, scientific tariffs; self-sufficiency; neutrality; economic nationalism; aggressor, belligerent; creditor nation, debtor nation; import, export; balance of trade, favorable balance of trade, unfavorable balance of trade; logrolling.

Questions on the Text

1. Distinguish between domestic and international trade.

2. What are exports? Imports? Visible items of trade? Invisible items?

3. What is meant by a favorable balance of trade? An unfavorable balance of trade?

4. What is meant by (*a*) the law of comparative costs? (*b*) The principle of reciprocity?

5. How do differences in natural resources, soil, climatic conditions, and industrial organization promote international trade?

6. What are some of the benefits of international trade? What are some of the problems?

7. Discuss briefly the development of the foreign trade of the United States.

8. What is a creditor nation? A debtor nation?

9. What is a tariff? A tariff for revenue? A protective tariff? A reciprocal tariff? A flexible tariff?

10. What are specific duties? *Ad valorem* duties? Compound duties?

11. What is free trade? What are some of the advantages claimed for free trade? What are some of its disadvantages?

12. Give arguments for and against a protective tariff.

13. What is economic nationalism? Defend or refute.

14. Outline the general trends and the changing tendencies in American tariff history.

Application and Interpretation

1. Would the standard of living of your family be affected if the flow of commodities in international trade were stopped? Explain.

2. Are any of the leading exports of the United States produced in your community? In your state? If so, what?

3. Are there any natural factors which have influenced the location of industries in your community? In your state? Explain.

4. Would your community be benefited by an increase in the exportation of agricultural products? Of manufactured products? Why? How?

5. Can you think of any benefits that free trade would bring to your community? Explain.

6. Why does the United States possess an advantage in the production of automobiles? Agricultural machinery?

7. If a nation has an advantage over other nations in the production of ten commodities will it necessarily export all of these ten commodities? Explain why or why not.

8. Why do nations wish to be economically self-sufficient in time of war? If we increased our foreign trade, would we be more or less vulnerable in time of war? Explain.

9. What is the home market? Is the home market always sufficient to take care of domestic production? Discuss.

Suggested Activities

I. Prepare talks on the following subjects:

1. Tariff barriers and the collection of war debts.
2. Reciprocal tariffs.
3. Work of the Tariff Commission.
4. Uncle Sam's leading customers.

II. Make charts showing:

1. Increase or decrease in the value of United States exports from 1914 to the present time.
2. Increase or decrease in the value of United States imports to the present time.

III. Prepare an outline map of the United States showing the leading exports of the United States, and the regions where they are produced.

IV. Draw cartoons illustrating:

1. Cultural and social benefits of international trade.
2. How international trade may cause ill-will among nations.

V. Have a group prepare a debate on the following subjects:

1. Free trade versus a protective tariff.
2. The United States should refuse to trade with aggressor nations in time of war.

VI. Have a committee consult current magazines and newspapers. Select articles dealing with foreign trade and tariffs. Read those that seem most interesting and report on them to class.

VII. Secure, if possible from the export field, a speaker who can describe how goods are paid for in foreign trade.

VIII. Have a group look up and report to the class on the progress of reciprocal trade agreements.

Collateral Readings

Atkins and Wubnig—*Our Economic World;* Chap. XXI, "Nationalism and International Trade."

BOWEN—*Social Economy;* Chap. XXIII, "Tariff Barriers and International Trade."

BRAINARD and ZELENY—*Problems of Our Times;* Vol. III, Chap. II, "Economic Internationalism"; Chap. III, "Economic Nationalism"; Chap. IV, "International Debts."

CORBETT and COLVIN—*Modern Economics;* Unit IX, "International Prices."

ELY and WICKER—*Elementary Economics;* Chap. XXVI, "International Trade."

FAIRCHILD—*Essentials of Economics;* Chap. XXX, "International Trade"; Chap. XXXIII, "Foreign Exchange."

FAY and BAGLEY—*Elements of Economics;* Chap. XVII, "International Trade"; Chap. XVIII, "The Tariff in the United States."

SMITH—*Economics;* Chap. XXII, "International Trade"; Chap. XXIII, "The Tariff."

ADVANCED READINGS

BOGART—*Economic History of the American People;* see Index

CLAY—*Economics for the General Reader;* Chap. XI, "The Level of Prices and Foreign Exchanges."

CROMPTON—*The Tariff.*

DURAND—*American Industry and Commerce;* Chap. XII, "Foreign Trade."

ELLSWORTH—*International Economics.*

ELY—*Outlines of Economics;* Chap. XVIII, "International Trade"; Chap. XIX, "Protection and Free Trade."

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* See Index.

SELIGMAN—*Principles of Economics;* Chap. XXXII, "International Trade."

SINCLAIR—*Principles of International Trade.*

TAUSSIG—*Tariff History of the United States.*

WALLACE—*New Frontiers;* Chap. VII, "The Tariff."

REFERENCES

Statistical Abstract.

UNITED STATES DEPARTMENT OF COMMERCE—*Bulletins* and *Reports.*

UNITED STATES TARIFF COMMISSION—*Bulletins* and *Reports.*

World Almanac.

CHAPTER XI

BUSINESS CYCLES AND ECONOMIC INSTABILITY

Objectives:

(1) To show the instability of modern business, and the characteristics and causes of the business cycle.
(2) To analyze some of the proposed remedies for business instability.

A. Instability of Modern Business

1. Modern Business Characterized by Insecurity. Our modern, highly specialized economic order, which requires extensive exchange, both domestic and foreign, possesses many distinct advantages. We enjoy a high standard of living, a great abundance of material things, wide occupational and educational opportunities, and a great amount of leisure. The well-being of the people as a whole has reached a point far beyond anything ever before achieved in the history of mankind. This will be developed more fully in the following chapters.

Despite the progress that has taken place, our modern economic order is nevertheless characterized by many undesirable features. One of the most striking and, at the same time, most unfortunate characteristics of modern business is its instability. Economic conditions are never the same. They constantly fluctuate from periods of very great business activity, called *prosperity,* to periods of very little business activity, called *depression.* The change from prosperity to depression may be gradual or it may be abrupt. Whether the change occurs over a long period or with suddenness, it brings with it business failures and unemployment. Unemployment spells disaster to the great mass of American workers.

Under an agricultural economy, business crises had less far-reaching consequences. The agriculturalist, except in the most extreme cases, had his farm, a roof over his head, and food for his family. Under our modern industrial economy, however, workers are totally dependent on their pay envelopes for food, clothing, and shelter. The loss of a job means the rapid exhaustion of reserve funds, and when these are gone, complete dependence on public or private charity.

2. Delicate Balance of Business. Business depressions are acute today because specialization has made our modern economic system very sensitive to economic disturbances. Increased specialization, as pointed out in the previous chapter, has created greater interdependence than was formerly the case. Economic relationships, therefore, are very close, and economic disturbances are no longer local in their effects. Our entire economic structure has become more delicately balanced. Under modern conditions its equilibrium can be far more easily upset than was the case when individuals, communities, and nations were relatively self-sufficient.

3. Economic Depressions in the United States. Since the development of the factory system, business depressions have occurred in the United States with great frequency and severity. The most serious crises were those of 1837, 1847, 1857, 1873, 1893, 1907, 1921, and 1929. In 1937 another business recession took place.

Economic instability is not confined to the United States alone. It is characteristic of business throughout the world. The crisis of 1929 and the depression from 1929 to 1933, from which the United States recovered only slowly after years of hardship and suffering, was part of a world-wide economic disturbance.

4. Great Depression from 1929 to 1933. The depression which followed the crisis of 1929 was particularly severe. It brought with it an unprecedented amount of unemployment, falling prices, deflated values, poverty, distress, suffering, business failures, bank failures, bread lines, and soup kitchens. Fear, pessimism, and discontent possessed great numbers of our population.

In 1929, the national income was over eighty billion dollars; in 1932, it was only half or about forty billion dollars. From 1930 to 1933 there were over four thousand bank failures in the United States and over a hundred thousand commercial failures. It has been estimated that the number of unemployed in the United States in 1933 reached the staggering figure of fifteen millions. Numerous public agencies were created to aid distressed individuals, families, and financial institutions. Annual federal expenditures for this purpose ran into billions of dollars and the national debt rose to a figure greater than that at the end of the World War.

The decline in economic well-being was especially resented by our people because they had grown accustomed to a high plane of living during the "boom" period which preceded the collapse of 1929. They had also deluded themselves with the belief that good times would continue indefinitely, and that poverty had been eliminated. Hence, the seriousness of industrial depression and economic instability; hence, the importance of the problem of the business cycle.

B. NATURE AND PHASES OF THE BUSINESS CYCLE

5. Nature of Business Cycle. The persistent recurrence of business crises and depressions, with their unfortunate effects on economic and social life, has given rise to considerable study regarding the nature of business trends. This study has shown that business revolves from prosperity to depression and from depression to prosperity. The course or circular pathway that business takes as it proceeds from good times to bad times and from bad times back to good times is called the business cycle.

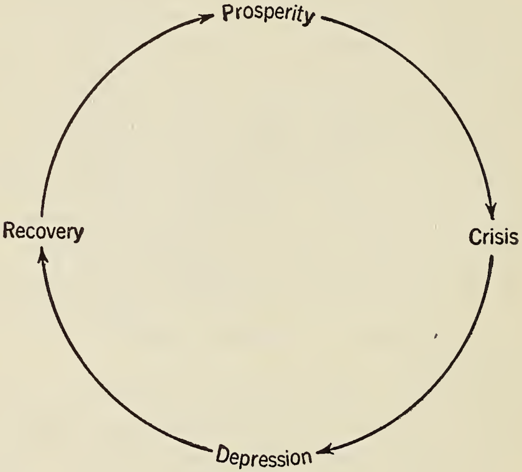
Each cycle is made up of several fairly well-defined stages, and each stage exhibits characteristics peculiar to itself. There is no uniformity, however, in the duration of the cycles. The cycle may last anywhere from three to ten years. The stages of the cycle will, in all probability, differ in length, as well as in business conditions, not only from the other stages in the same cycle, but also from the corresponding stages of the preceding cycle.

6. Phases of the Business Cycle. The four stages of the business cycle have been called prosperity, crisis, depression, and recovery; they follow each other successively in an endless round of business change. Since there is no real beginning or ending of a business cycle, but rather a continuous round of changes as one stage merges into the next, a business cycle can be measured from any point.

(*a*) *Prosperity.* The period of prosperity is marked by business activity. There is a brisk demand for goods, and consequently much buying and selling. Prices of most commodities are high and tend to mount still higher as the pace of business becomes faster. Factories and other business establishments are working near capacity. There is a demand for workers, and wages are high. New ventures and increased business activity stimulate the demand for capital beyond ordinary needs. Banks provide this capital but charge higher rates of interest for their loans. As the demands for funds increase and bank reserves become exhausted, interest rates tend to rise still higher.

The prices of stocks are also high and increase rapidly. People buy stocks now for speculative purposes as well as for investment. During periods of prosperity, the prices of bonds remain relatively low. Old bonds, bearing a fixed, low interest rate, depreciate in value. A feeling of optimism prevails, revealing itself in the undertaking of bold ventures.

As the tempo of business speeds up, prices continue to rise. This is due to increased costs of materials and higher interest rates, and also to the inefficiency, carelessness, and extravagance that begin to creep into business practice. Although wages are high and continue to mount, they do not keep pace with rising prices of commodities.



Phases of the Business Cycle

The enormous profits that result from business enterprises as the period of prosperity continues lead individuals into rash undertakings. Plants are enlarged and new equipment is installed in anticipation of a share of these huge profits. Many businessmen enter fields in which they have had little experience. There is misdirected production in cases where demand has not been correctly diagnosed. Overexpansion and rash speculation are general.

As prices continue to rise, business concerns find it difficult to dispose of their products. They meet with increased sales resistance, especially in those fields where misdirected production has occurred. Purchasing power does not keep pace with the increase in prices. Firms which have overreached themselves find that there is little market for their surplus products at current prices. Many of these firms are in need of money. They find it difficult to borrow from banks because of the high rate of interest. It becomes necessary, in some cases, to lower prices in order to dispose of goods. An occasional business failure is reported. All of these circumstances give rise to a feeling of alarm which soon degenerates into fear. A critical period in the business cycle now ensues.

(*b*) *Crisis.* Banks begin to call in loans. Prices drop rapidly as firms make a frantic effort to collect as much cash as possible. There is a rush to sell and consequently a tremendous drop in values. The output of factories decreases. Many factories go on part time, while others close down altogether. Workers are discharged and unemployment mounts rapidly. The prices of stocks decline. The cost of production falls and the volume of trade is reduced. The demand for workers drops off and wages decline abruptly. Dividends and profits decrease and business failures increase. Speculation declines and bank clearings show diminished business activity. Fear now possesses the entire population, and the cycle enters its third phase, depression.

(*c*) *Depression.* As the cycle reaches the depression phase, a pessimistic tone prevails throughout the business world. Timidity and caution replace the boldness and enthusiasm of the "boom" period. There is little business activity and prices reach extremely low levels. There is only slight demand for labor, and wages are drastically reduced. Unemployment becomes a serious problem, and suffering is acute among the poorer classes. Few new ventures are attempted; buying and selling are done on a hand-to-mouth basis. Bank reserves are large, but there is little demand for funds. Consequently, interest rates are low. Seasoned bonds bearing higher interest rates sell at a premium. The prices of stocks fall to greatly depressed levels.

THE BANK OF UNITED STATES
THE BANK OF UNITED STATES

Wide World Photo

A RUN ON THE BANK OF UNITED STATES, NEW YORK CITY, DECEMBER, 1930

(*d*) *Recovery.* As the period of depression merges into the next phase of the cycle, recovery, signs of renewed business activity begin to make their appearance. The available supply of goods has been used up and additional supplies must be produced. Business concerns find it necessary to increase their stocks in order to meet the growing demand for goods. The influence of the quickened business activity spreads, and the feeling of pessimism gives way to one of hope.

Businessmen become more venturesome, and there is a growing demand for funds to finance new ventures. Banks are able to lend at low rates of interest because of the large reserves which have been accumulated during the depression. As business conditions improve and indications of prosperity appear, there is an increased demand for capital, and interest rates tend to rise. Prices mount and money wages increase. The money wages, however, will not rise as rapidly as costs of living. Employment also takes an upward turn. Soon business is in full stride again and recovery merges into prosperity. Business moves with full steam ahead, and the old cycle gives way to a new one.

C. Causes of the Business Cycle

7. Complexity of Problem. Economists and business leaders have devoted serious thought to the underlying causes of business cycles. As a result of their efforts some interesting theories have been evolved to account for the rhythmical recurrence of good times and bad times. Despite the variety of theories that have been presented, the belief is widely held that the instability of business can be ascribed not to any one particular cause, but to a number of causes.

Among the theories most frequently advanced are those of natural causes, overproduction, psychological causes, and the self-generating theory.

8. Natural Causes. In the latter half of the nineteenth century, Professor Jevons, an English economist, claimed that there was a relationship between business cycles and sunspots. He observed that sunspots occur in cycles ten years apart. The sunspots, he contended, create unfavorable climatic conditions on the earth. These unfavorable climatic conditions, in turn, curtail the production of agricultural crops and thereby diminish the purchasing power of the farmer. This adversely affects the market for manufactured goods. The sunspot theory does not appear to be well-founded, however, because there is a lack of coincidence between the occurrence of sunspots and periods of depression.

The business cycle has also been attributed, in part, to the varying amounts of rainfall at different periods. Inadequate rainfall seriously affects the quantity and quality of agricultural products. At one time there may be a bumper crop, at another time, a dearth of crops, in turn, causing prosperity and depression. However, this theory is open to the same criticism, namely, a lack of correlation between rainfall and business cycles.

9. Underconsumption. A familiar theory used to account for business cycles is that of overproduction. According to this theory, under modern conditions goods are produced in excess of the wants of the consuming public. Economists, however, maintain that there is, in reality, no limit to the wants of human beings, and that it is not possible to satisfy all these wants. They claim that what actually takes place is not overproduction, but underconsumption, due to a reduction in, or a poor distribution of, purchasing power.

10. Misdirected Production. Although overproduction is impossible, misdirected production can and does take place. Too much of one good and too little of another may be produced. The results are a temporary lack of economic balance and a disorganization of the price structure until a readjustment is made. During periods of great prosperity producers are tempted to enter fields for which they are not fitted by training or experience. Emboldened by the spirit of optimism prevailing during these boom periods, some businessmen overreach themselves and expand their enterprises beyond the dictates of ordinary prudence and without regard for existing demands. There may be, therefore, in some lines of industry, for the time being, an amount of goods in excess of what can be sold at a profit above costs of production.

11. Maldistribution of Income. In prosperous times the production of goods may increase faster than the demand for them. The ability of the consuming public to pay for the goods produced may not keep pace with increasing prices. Prices often rise during the period of prosperity because of the increased cost of raw material and the higher wages paid to labor. Purchasing power often lags behind because the profits of industry are not widely distributed.

The advocates of the theory of underconsumption assert that the greater part of the profits of industry are received by a small group. This small group can use only a fractional portion of these profits to satisfy their personal wants. Consequently a large portion of the returns from industry finds its way back into productive channels. It is used to build additional factories and machines which multiply enormously the volume of goods produced. Meanwhile the great mass of consumers are receiving too small a share of the wealth derived from industry, and their limited purchasing power will not enable them to satisfy their economic wants and consume the ever-increasing supply of goods. Sales resistance, therefore, grows as prosperity continues, and producers find themselves with surpluses which cannot be sold at a profit. The people who could use these goods have not the purchasing power to enable them to do so. Consequently we have an enormous potential market and vast quantities of surplus products. Purchasing power alone is lacking to remove these surpluses from the producers' storerooms and to satisfy the wants of the mass of consumers.

12. Self-generating Theory. The self-generating theory holds that business cycles are caused by conditions which exist in each phase of the cycle itself. There are certain factors inherent in each stage which of themselves induce changes and lead to the next phase of the cycle. During periods of depression, for example, even though there is very little business activity, nevertheless goods are being consumed, however small the quantity. Eventually the available supply of goods is exhausted, and a demand is created for new supplies. This stimulates production and quickens business in general. The increased production requires labor. Men who have been unemployed are placed on a pay roll. They use their wages to purchase needed supplies. This, in turn, leads to further production and increased employment.

During depressions, banks have large reserves of idle funds. As production grows and the demand for credit increases, the banks are in a position to lend these funds at low rates of interest. This helps to promote the next stage of the cycle, recovery.

13. Psychology as a Factor. The moods of men are said to vary and to be contagious. Business cycles have been attributed to alternating waves of popular optimism and pessimism. During waves of public enthusiasm, bold ventures are undertaken and business activity reaches a high point. Riding on a wave of optimism, individuals tend to lose their judgment and to engage in ill-advised and rash undertakings. A sudden crash or sharp crisis produces confusion and fear. "Save himself who can" is the slogan in a panic. Finally, fear gives way to pessimism. Instead of the great enthusiasm which marked the period of prosperity, we have the dejection and diffidence of depression. Here the psychological mood appears in the caution and timidity which characterize business transactions. Because of the gloomy outlook, even necessary business operations are retarded, and a healthy and normal expansion of economic activity is checked. Gradually business picks up again and hope replaces dejection; recovery has set in. As the recovery phase progresses into one of prosperity, confidence replaces caution and another business cycle is in progress.

14. Other Causes. Other causes have been advanced from time to time to account for the fluctuations of business conditions. Excessive speculation, consumers' strikes, overextension of credit, and tariff revisions have all been suggested as causes of disturbances in the trend of business. It has also been customary to find causes of economic crises in the practices and policies of political parties. When a depression takes place the party in power is bitterly assailed by groups who feel that the policies of that party have led to the decline of business activity. During periods of prosperity the party in power claims that the policies it has maintained are responsible for the general well-being.

D. Remedies for the Business Cycle

15. Divergent Attitudes. So far-reaching and disastrous have been the effects of business depressions upon the economic and social life of the people that various measures have been suggested for preventing the downward spiral of business and for relieving the unfortunate effects of depressions. Opinions differ in regard to the value of the methods employed and recommended.

One group holds that since the United States has worked its way out of past depressions, the government should adopt no specific measures to improve conditions, but "allow nature to take her course." This group claims that the government interferes too much with the economic activity of the nation, and limits individual initiative and freedom of action.

A second group protests against this theory, on the ground that the depression following the economic collapse of 1929 was so severe, that its effects could be overcome only through prompt and drastic action on the part of the Federal Government.

Among the proposed measures for alleviating the consequences of a depression are business forecasting, economic planning, control of credit, maintenance of wages, public works, unemployment insurance, and public employment agencies. While perhaps no one of these measures alone could prevent the decline in business activity, together they would have the effect of checking the severity of depressions.

16. Forecasting Business Conditions. Much of the misdirected production, overexpansion, and unwise extension of credit which lead to business crises could be averted if business leaders were able to secure reliable and accurate information about financial conditions and industrial tendencies. A knowledge of domestic and foreign markets, price tendencies, style trends, and crop conditions would diminish the chances for errors in business judgment. Undoubtedly producers would make less costly mistakes in planning for the future, and production would be better regulated if a system of business forecasting could be developed.

A number of agencies are engaged in collecting business information and in making business forecasts. Many private agencies specialize in this work and sell their services to businessmen. Among the other groups engaged in the work of securing trade information are the National Government, trade journals, and some of our universities.

17. Planned Production. Economic planning goes beyond business forecasting. Business forecasting seeks to discover what is going to happen; economic planning seeks to make happen what is regarded as socially desirable and economically possible.

Planned production would bring about greater cooperation and co-ordination, not only among different industries, but also among different units in a single industry. It would have a tendency to keep production more nearly in line with consumption. It would also tend to eliminate "misdirected" production, unfair tactics, price cutting, excessively low wages, child labor, sweatshops, industrial wastes, and other undesirable conditions.

A scheme proposed in 1931 by Gerard Swope, President of the General Electric Company, would have production planned by the industries themselves through trade associations. Although this plan was to be executed privately, provisions were to be made for governmental supervision by means of a federal advisory board.

Other advocates of planned production favor direct control by the National Government. They claim that it is only through the National Government that economic planning can be carried out effectively. The National Industrial Recovery Act, which was passed by Congress in 1933, was a temporary move toward planned production under federal auspices. Codes of fair competition, as well as plans for stabilizing production, were set up by different industries. It was hoped through this act to raise wages, to eliminate unfair practices, and to promote the recovery of industry. In 1935, the Supreme Court of the United States declared this act unconstitutional.

18. Control of Credit. The excessive use of credit during prosperous times encourages rash ventures and overspeculation. The period before the stock-market crash of 1929 was especially marked by feverish speculative activity. The funds to finance much of this activity were loaned freely by financial institutions. In order to curb the practice of overspeculation, the Federal Reserve banks have been empowered to raise or lower the rediscount rate as circumstances require.

19. Maintenance of Wages. The payment of adequate and stable wages is necessary to maintain the purchasing power of consumers at a high level. With each reduction in wages, as business activity diminishes, purchasing power declines and the crisis becomes more acute. Unemployment or underemployment reduces wages, and the consequent reduction in purchasing power diminishes industrial production and thus creates more unemployment.

20. Public Works. In order to provide employment, sustain purchasing power, and stimulate business activity during times of depression, the plan has been advanced of having the government undertake a vast program of public works. In order to make such a plan effective, it would be necessary for the government to delay construction of roads, public buildings, parks, and other governmental projects during periods of prosperity, and to carry out these projects during periods of depression when they would be especially beneficial. When private industry is expanding, public activities would be contracted; and when private business languishes, public works would be stimulated. In this way, the ups and downs of the business cycle would be leveled out. The construction of public works would provide employment for idle workers, maintain purchasing power, and create a demand for materials of various kinds. It would act as a general stimulus for business activity. It would raise the morale of workers, allay discontent, and prevent much suffering.

It has been pointed out, however, that it is not always wise for the government to delay work on projects until a depression takes place. Another objection to a vast public-works program is that some types of governmental projects compete seriously with private business. It is also claimed that some of the ventures carried on by the government are unnecessary and do not justify the expense.

During the past depression, the Federal Government spent billions of dollars in order to finance many huge projects which provided work for hundreds of thousands of the unemployed. These projects were entered upon under the authority provided in the acts of Congress establishing the Civilian Conservation Corps, the Public Works Administration, and the Federal Emergency Relief Administration. Among the projects attempted were the reforestation of federal and state lands, the conser-

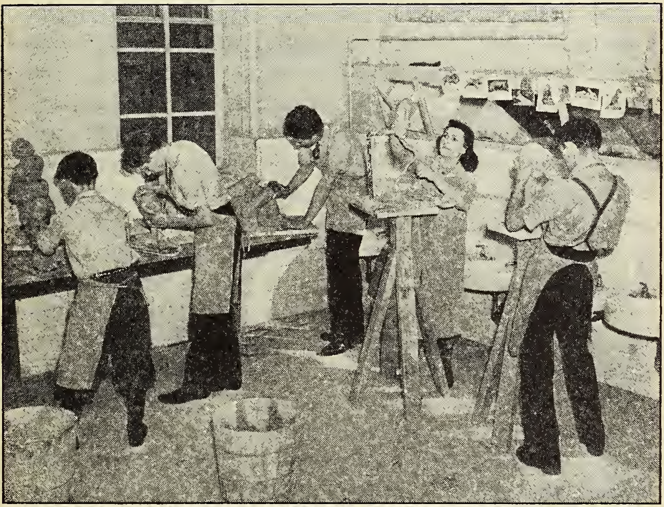


Photo by William E. Bonsor from Soibelman Syndicate

ONE PHASE OF WPA ACTIVITY

A group of serious and earnest sculptors at work under the supervision of a thoroughly trained WPA instructor.

vation of natural resources, the building and improving of public roads and public buildings, and the construction of naval vessels.

Other projects, such as the construction of low-cost homes and hydroelectric plants, brought public works into competition with private initiative and industry. Perhaps one of the greatest projects undertaken by the government is the work that is being done in the Tennessee Valley. In 1933, Congress created the Tennessee Valley Authority, which federal agency received power to take the necessary steps to conserve and utilize the natural resources in that region. It provided also for flood control and for the development of power projects.

21. Unemployment Insurance. The use of unemployment insurance has been strongly advocated as a partial remedy for unemployment, and as a method for stimulating purchasing power. During prosperous times the unemployment fund is built up. If the agency providing the unemployment insurance is a private organization, then the worker and the employer contribute to the unemployment fund. When the worker is unemployed, he is able to draw benefits from this fund. While the benefits do not equal the wages he would receive if actually employed, yet they assist in preventing the suffering and distress that usually accompany long periods of idleness. Unemployment insurance would sustain the morale and self-respect of the worker, and at the same time bolster purchasing power.

In the United States, unemployment-insurance systems were first adopted by several private organizations, modeled somewhat after that of the General Electric Company. Private unemployment insurance was later supplemented and supplanted by public unemployment insurance. Wisconsin was the first state to take such action. Finally, in 1935, the Federal Government made provisions for unemployment insurance as part of its social-security program. This program includes old-age insurance as well as unemployment insurance. It will be discussed in Chapter XX, which portrays the specters of industrial injury, illness, and unemployment.

22. Employment Agencies. The use of government employment agencies has been suggested as a means of diminishing the evil effects of depressions. In times of poor business, these agencies, located at business centers throughout the country, would provide a means of enabling idle workers to keep in touch with labor demands throughout the country, and would assist in bringing the employer and the worker together.

In 1933, Congress established the National Employment System. This system created and co-ordinated federal and state employment agencies throughout the nation. Public employment agencies are necessary also to administer unemployment insurance. Before out-of-work benefits are paid, every effort should be made to find jobs for the unemployed.

Summary. Our modern economic order is characterized by instability. While fluctuations in business from good times to bad times were marked even during the period when the United States was pre-eminently agricultural, economic instability has become a far more serious problem under our present industrial system. Workers today are totally dependent on their jobs for the necessities of life; and when a business depression deprives millions of these workers of their livelihoods, the problem assumes grave proportions.

Economists have found that business revolves in a definite course or cycle made up of four fairly well-defined stages. These stages have been called prosperity, crisis, depression, and recovery; and they follow each other successively in an endless course.

Among the theories advanced for the recurrence of good times and bad times are those of natural causes, such as sunspots and rainfall; underconsumption, misdirected production, and maldistribution; the self-generating theory; and the psychological theory. Other causes that have been suggested are excessive speculation, consumers' strikes, oversaving, overextension of credit, and tariff revisions.

Some of the measures proposed for remedying the evils of economic instability are the forecasting of business conditions; planned production; control of credit; maintenance of wages; public works; unemployment insurance; and public employment agencies.

Word Study: Instability, insecurity; self-generating; diagnose; boom; maldistribution; tempo; potential; alleviate; misdirected production, overproduction, underconsumption; forecasting, planning; supplant, supplement; cycle; coincidence, correlation, co-ordination.

Questions on the Text

1. What is meant by the instability of modern business?

2. Why was the depression following the stock-market crash in 1929 particularly resented?

3. What is a business cycle? What are the phases of a business cycle? Point out briefly the characteristic features of each phase.

4. What causes have been advanced for the business cycle?

5. Tell how forecasting business conditions might check the instability of business.

6. Discuss public works, employment agencies, and unemployment insurance as means of alleviating the effects of business depressions.

7. How would each of the following aid in preventing business depressions: planned production, stable wages, control of credit?

Application and Interpretation

1. Are there any local conditions which would make your community particularly liable to the effects of a business depression?

2. Have public works or any of the other remedies for business

depressions discussed in this chapter been tried in your community? If so, explain.

3. Do you think that overproduction and underconsumption are causes of business depression? Explain your answer.

4. Point out some ways in which your community is economically dependent upon other communities. Does this interdependence have a tendency to increase or decrease the effects of business instability?

Suggested Activities

I. Prepare talks on the following subjects:

1. Stock-market crash of 1929.
2. Unemployment insurance.
3. Unfortunate effects of a depression upon a community.
4. Self-generating theory of business cycles.

II. Draw cartoons illustrating:

1. Insecurity of the modern worker contrasted with the relative independence and economic self-sufficiency of the colonial farmer.

2. How the fortunes of a family change as the business cycle runs its course from prosperity through crisis, depression, recovery, and back to prosperity.

III. Make a diagram showing the phases of the business cycle and the outstanding characteristics of each phase.

IV. Have a committee investigate the special agencies set up by the Federal Government to offset the effects of depression and promote recovery—the P.W.A., the W.P.A., the R.F.C., the C.C.C., etc. Use results of investigation as basis for class discussion.

V. Secure a speaker, if possible, who can describe at first hand the work of one of the agencies set up by the government to promote recovery.

Collateral Readings

Atkins and Wubnig—*Our Economic World;* Chap. XXVIII, "The Business Cycle."

Carver and Carmichael—*Elementary Economics;* Chap. XXIV, "Commercial Crises."

Fairchild—*Essentials of Economics;* Chap. XXXVI, "The Business Cycle."

Faubel—*Principles of Economics;* Chap. XXXIX, "Economic Changes—Cycles and Seasons."

Lewis—*New Frontiers of Democracy;* Unit III, "Control of Industry and Business."

Magruder—*American Government;* Chap. XXXII, "Recovery Program and Accomplishments."

Smith—*Economics;* Chap. XXIV, "The Business Cycle."

Advanced Readings

Atkins and others—*Economic Behavior;* Chap. XXIX, "Business Cycles"; Chap. XXX, "Cures for Depression."

Beard and Smith—*The Future Comes—A Study of the New Deal.*

Chase—*Men and Machines.*
The Economy of Abundance.

Ely—*Outlines of Economics;* Chap. XVII, "Business Cycles."

Faulkner—*American Economic History;* Chap. XXVIII, "Economic Collapse."

Hayes—*Our Economic System;* Vol. II, Chap. XXXII, "Business Cycles."

Mitchell—*Business Cycles.*

Patterson and Scholz—*Economic Problems of Modern Life;* Chap. IX, "The Business Cycle."

Seldes—*The Years of the Locust.*

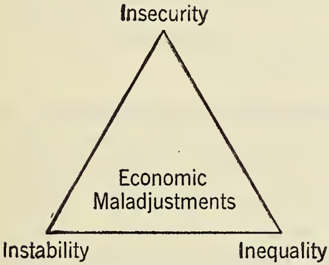
Slichter—*Modern Economic Society;* Chap. XX, "The Business Cycle."

Soule—*A Planned Society.*

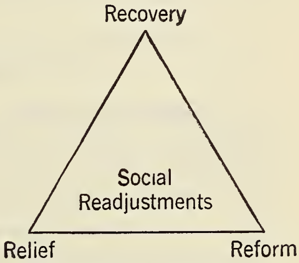
UNIT C. PROBLEMS OF DISTRIBUTION

Chapter XII. National Prosperity and Economic Inequality

Chapter XIII. Organized Labor and Collective Bargaining


Insecurity
Economic
Maladjustments
Instability
Inequality

The Old Three I's


Recovery
Social
Readjustments
Relief
Reform

The New Three R's

CHAPTER XII

NATIONAL PROSPERITY AND ECONOMIC INEQUALITY

Objectives:

(1) To examine the meaning and importance of the national wealth and the national income; and to see how they are distributed.

(2) To analyze some of the economic inequalities that exist, and some of the remedies for these inequalities.

A. THE GENERAL PICTURE—ITS GOOD SIDE AND ITS BAD SIDE

1. From an Economy of Scarcity to an Economy of Abundance. Since the days of our primitive ancestors, mankind has been producing wealth in some form or other. The wealth of primitive man bore little resemblance to the automobiles, radios, skyscrapers, ocean liners, factories, mines, farms, tractors, and other things which we recognize as forms of wealth today. Wealth was limited to the bow and arrow, the canoe, the fist hatchet, and other simple objects which primitive man was able to create with painstaking toil in order to satisfy his simple wants.

As the human race climbed upward along the path of economic progress, wants increased and the productive process became more elaborate. With the growing complexity of the productive process, there resulted a greater variety and amount of material things. Thus the progress of civilization has been marked by an ever increasing supply of wealth. In fact, today, through scientific discoveries, inventive genius, and use of machines, we are producing goods in such enormous quantities that it has been said we are no longer living in an "economy of scarcity," but have entered into an "economy of abundance."

2. Distribution Has Not Improved as Much as Production Has Increased. National prosperity does not mean all people possess an abundance of good things. Marked inequalities distinguish this so-called "economy of abundance." Great wealth and abject poverty exist side by side. It has been said that the fault lies not in the failure to produce goods in enormous quantities, but in the failure to distribute more intelligently the income produced. Production has been speeded up like a streamlined automobile, but old ideas of distribution have lumbered along like an oxcart.

B. National Prosperity

3. Progress and Prosperity. The economic progress of a people may be measured by the degree of prosperity which prevails among them. When a relatively large number of individuals in a nation are prosperous or enjoying an abundance of commodities and services, we have a period of national prosperity. Prosperity is, in reality, the goal or objective which beckons mankind on to greater and greater economic efforts. This goal, however, is never completely attained because human wants are insatiable. The more we have the more we want; and we are constantly desiring more commodities and new services.

4. Rising Standards of Living. National prosperity can be measured only in a relative sense by comparing the standard of living at any particular time with that of an earlier period, or by comparing the American standard of living with that of other nations. The people of Boston, Salem, and other Massachusetts towns during the Revolutionary period undoubtedly considered themselves far better off than the early settlers of the colony. Today, however, the standard of living that prevailed in Massachusetts during the Revolutionary period would seem utterly inadequate to meet our modern ideas of comfortable living. It is not at all unlikely that the people of America in the year 2000 will consider our present standard of living unsatisfactory.

5. Causes of American Prosperity. Our economic progress has been due chiefly to the increased productive capacity of the nation. We are also blessed with a favorable geographic environment, which has provided us with an excellent climate, extensive and fertile territory, and a rich store of natural resources. Furthermore, the pressure of population on natural resources has been less intense in this country than in many of the more densely peopled lands of Europe and Asia.

Finally, our social institutions and our political ideals have made for economic progress. The American standard of living owes much to the spiritual qualities of the population, such as courage, initiative, industry, thrift, perseverance, and optimism. Our people have had the opportunity to progress from class to class and to acquire wealth, unhampered by oppressive governmental regulation, or by the influence of Old-World traditions which tend to keep people in the class in which they were born.

It is safe to say that, as a result of all these factors, the United States enjoys a higher standard of living than has ever been achieved by any people in the history of mankind. The average citizen in the United States uses commodities and services undreamed of by his forefathers.

6. Extent of American Prosperity. The national income produced in the United States, expressed in monetary terms, was estimated at $81 billion in 1929, the last year before the great depression; at $40 billion in 1932, the lowest point; and at $68 billion in 1939, a year of recovery. Allowances should be made for changes in the purchasing power of money, and in population of the United States in making comparisons from year to year.

A picture of the real national income of the United States is much more realistic than a table of figures giving our monetary national income. Let us therefore repeat some of the factual data reported a few years ago by the National Association of Manufacturers:

"With only 7 per cent of the world's population, the United States consumes half the world's coffee; half the world's tin; three fourths of the world's silk; one third of the world's coal; two thirds of the world's crude oil.

"Fourteen million families own their own homes.

"Seventy per cent of the homes in the United States have electricity; 10,000,000 homes have vacuum cleaners; 10,500,000 washing machines. There are nearly three times as many radios per person in the United States as there are in Europe; five times as many telephones; nearly twelve times as many automobiles.

"Thirty million are enrolled in American schools. America spends more for education than all the other countries combined.

"America spends $10,000,000,000 a year for recreational purposes."

C. WEALTH AND INCOME

7. Meaning of National Wealth. The purpose of production is the creation of want-satisfying commodities and services for human consumption. Material things, which possess utility, scarcity, and transferability, are in demand; they are called wealth. Wealth, therefore, may be considered as the material, want-satisfying, scarce, and transferable things in the possession of individuals or groups at some particular time.

The wealth of a farmer would consist of his farm, livestock, farm machinery, and crops. The wealth of a businessman might consist of his factory, machinery, raw materials, finished products, home, and automobile.

The national wealth is the total of all the want-satisfying material things possessed by individuals or groups throughout the nation. Among the items included in the national wealth would be farms, factories, mines, gold, silver, timber, coal, iron, wheat, wool, and power plants.

8. Value of National Wealth. The value of wealth is measured in terms of money. In the United States, the dollar is the unit, or yardstick, of value. The exchange value of wealth in terms of money varies directly with the supply of money, for which it is to be exchanged. As explained in the previous unit, money is not a stable measure of value.

The value of wealth varies inversely as the supply of wealth increases or decreases; that is, the more there is of wealth the more its value tends to decrease. Scarcity, as well as utility, determines its value. When there is a large supply of such material things as coal, iron, automobiles, lumber, or petroleum, the value of any single unit of these commodities is less than when its total supply is scarce. If, in a certain city, there is a shortage of houses, the value of houses expressed in terms of money will tend to be high. Bumper crops of wheat, corn, and potatoes, likewise tend to lower the market price or exchange value of these commodities.

9. Nature of National Income. The national income is the total flow of commodities and services received as a reward for production or ownership by individuals and groups throughout the country as a whole over a particular period. In contrast, the national wealth is the total stock of commodities in existence at a particular time. Income is the yield of wealth and labor. Wealth, as well as labor, is the source of income.

10. Price System and Real Income. Although wealth is produced to satisfy wants, or for consumption purposes, few people under modern conditions consume the wealth they produce. How does it come about, then, that the worker does not consume the wealth he produces, and yet is able to supply his own wants? It is because in our modern economic system man specializes in production and sells, or exchanges for a price, the particular commodities or services he produces. With the funds so secured he is able to buy the commodities or services produced by other specialists. As pointed out in the last two units, modern society is an economy of specialization and exchange.

Under the price system, the first return received by producers is a money income. The money income is then used by those who have received it to purchase the commodities and services necessary to satisfy their wants. The supply of economic goods which one's money income is able to purchase over a period of time is called his real income.

11. Creation and Division of Income. The size of the national income has increased. This increase in the real national income has been brought about through greater productive efficiency.

The size of the national income and the manner in which it is distributed are important both from economic and social viewpoints, because they determine not only the prosperity of the country as a whole, but also the prosperity and well-being of individuals and groups of individuals.

D. Process of Distribution

12. Importance of Distribution. The depression of the 1930's focused the attention of the thinking public upon the question of distribution. Despite the previous increase in the national wealth and the national income, vast inequalities, not only in the possession of wealth, but also in the distribution of income, were strikingly apparent. Widespread support was given to the belief that the great problem of modern industry was not so much one of production, but rather one of a more satisfactory distribution of the income from production.

13. Nature of Distribution. Distribution is the economic process through which the national income is divided among the factors which have helped to produce it. The factors of production are land, labor, capital, the entrepreneur, and the government. Corresponding shares in distribution are rent, wages, interest, profits, and taxes.

14. Distribution Has Become as Highly Involved as Production Has Become Complex. The original factors in production were land and labor. Primitive man applied labor to the natural objects which he found at hand, and fashioned his fist hatchets, harpoons, canoes, bows, arrows, and other implements. Even during colonial days production and distribution were relatively simple and direct. The colonial farmer applied labor to land directly and produced his food, clothing, lumber, soap, light, and most of his tools.

As the productive process became more complex, distribution also became more involved. Labor and land were no longer the only factors of production. The capitalist, the government, and the entrepreneur, who assumed responsibility for production, became increasingly important in the great business of production, and seriously complicated the process of distribution.

E. Shares in Distribution

15. Rent on Land. (*a*) *Nature.* Land is a basic factor in the production of wealth. In order to be productive, however, it must work with other factors. In conjunction with labor and capital, land provides us with those things which satisfy our wants for food, clothing, shelter, comforts, and luxuries. In modern times, the extensive use of agricultural machinery has increased the productivity of land.

Land, in the economic sense, has a broader meaning than the one usually associated with it. It includes not only the surface of the earth upon which we build our homes, our factories, our football fields, our highways, and our cities, but it also includes all natural resources contained within and on the earth.

(*b*) *Differences in Rent.* The share of the national income that landowners receive for land's part in production is called rent. The amount of the share received by landlords varies. It depends usually on the supply of land and the demand for it. If large expanses of land are available, the rent of land tends to be low. This is the case in new countries where population is small and land abundant. This was particularly true in the early days of our own country. In some of the European countries, on the other hand, landowners receive a large share of the national income because of opposite conditions.

Special features also determine the amount of rent that can be obtained from land. Fertile land, land containing abundant national resources, and land located advantageously command a relatively large share of the income from production. Location is especially important in cities where space is limited and demand is high. An office building located in a busy section will be highly desirable. Farm lands that are easily accessible to markets will also command higher rents than those of equal fertility not so advantageously located.

16. Wages to Labor. (*a*) *Nature and Importance.* Without the application of labor, land would be unproductive. Labor therefore is a basic factor in the production of wealth. The productivity of labor, as well as of land, has been greatly increased by the invention of machinery.

The term labor is not restricted to the various forms of manual labor but includes clerical work, professional services, and other forms of human effort directed to the production of commodities and services for consumption. The share of the national income received by labor is called wages. In the economic sense, the fees received by doctors and lawyers, and the salaries received by clerical workers, administrative officers, and other professional workers are all considered "wages." In fact, wages include all the returns which workers of every type receive for their labor, whether it be mental or physical.

(*b*) *Differences in Wages.* In general, the amount of wages received will be determined by the law of supply and demand. Lower incomes prevail generally among unskilled workers where the labor supply is abundant. On the other hand, highly skilled laborers are less abundant and therefore receive higher wages. Organized workers also tend to receive higher wages than unorganized workers. In the past, skilled workers have been more highly organized, as well as less abundant, than unskilled workers.

Wages are influenced also by what is known as the immobility of labor. Laborers are not only disinclined to move about from one location to another, but often find it difficult to do so because of a lack of money and because of family ties. They are consequently unable to take advantage of higher wages that may prevail in localities where labor is scarce.

Professional workers usually receive higher wages than manual workers, although some highly skilled forms of manual labor pay higher wages than many "white collar" jobs. There is also a tendency for wages, in some measure, to compensate for the amount of preparation necessary to acquire proficiency in an occupation. Managers and executives, partly because of their superior knowledge and judgment, and partly because of the responsibilities which they must assume for the businesses which they direct, may receive high returns for their services.

17. Interest on Capital. (*a*) *Nature and Forms.* Capital goods are the material things which man has fashioned out of natural resources through the application of mental and physical effort, and which he employs in the production of other useful commodities. Forms of capital goods are factories, machinery, tools, tractors, and trucks. They account for the tremendous increase in production in our modern industrial system; they have made possible the enormous increase in wealth. Without capital, in fact, we could not have attained our present stage of industrial progress.

(*b*) *Creation of Capital.* Capital arises when man saves a portion of his income. If a nation used up its income as fast as it was created, there would be no chance to create capital. The savings which individuals are able to make through the practice of thrift provide a source of the funds used in the creation of capital goods. These savings deposited in banks or invested in various ways provide huge reservoirs of credit which can be used for productive enterprises. Businessmen borrow from these funds in order to purchase capital goods.

In barren or unproductive countries, where conditions of life are hard, it is difficult to produce a surplus above mere subsistence. The income received through productive effort barely suffices to provide the necessities of life. The scale of living there is low and progress lags. In more progressive countries, where conditions are more favorable, where the people are energetic, and where a supply of raw materials is available, it is easier to produce a surplus in excess of needs. The formation of capital under conditions such as these proceeds more rapidly.

For many years, as shown in Chapter X, the need for capital in the United States was so great that it was necessary for us to borrow in large amounts from older countries of Europe. Land was extensive, but labor and capital were scarce. Because of this, the formation of capital did not proceed rapidly enough to meet the great demands for it. Throughout the earlier part of our history as a nation the demand for capital exceeded the supply. In recent years, however, the amount of capital available for investment purposes has exceeded the demand. In the 1920's large sums of American capital found their way into foreign countries.

(*c*) *Interest Rates.* Like land and labor, capital also shares in the national income. The share which capital receives is called interest.

The rate of interest depends on the supply of capital and the demand for it. If there are large supplies of available funds, interest rates will be low. If the supply is scarce, interest rates will be high. In newer countries, where the demand for capital is great, its supply limited, and the risks heavy, the capitalist can demand high rates of interest. In the older and more conservative countries, where capital is more abundant and more secure, interest rates tend to be lower. As a result of these conditions, capital from the more settled countries will find its way into the newer, less-exploited lands, attracted by the higher rates of interest. In the 1930's interest rates in the United States were relatively low, in part because of the decreased demand for the increased supply of capital, and in part because of the preference of American lenders for domestic loans, in view of the collapse of many of their foreign investments.

18. Profits to Entrepreneurs. Business enterprises do not run themselves. The factors of production must be brought together or combined by a guiding intelligence before production is possible. This guiding intelligence is provided by the entrepreneur, who organizes the undertaking and assumes much of the risk for its successful operation.

In the small business, the role of the entrepreneur can easily be distinguished. In more complicated business structures, such as the corporations, it is not so easy to single out the entrepreneur. The various functions, which are carried on by the individual entrepreneur in small organizations, are distributed among many agencies in the corporate form of enterprise. A board of directors determines the policy of the corporation and appoints the managing officers and departmental heads, who are salaried employees. The risks of the corporate business are shared by numerous stockholders, who have little, if any, participation in its management.

The share of the national income received by the entrepreneur is in the form of profits. Profits depend upon the degree of success of the undertaking, and that, in turn, depends upon such factors as the skill and business ability of the entrepreneur, the demand for the product, and the keenness of competition.

The history of American business has been distinguished by the rise of great entrepreneurs or captains of industry. Huge fortunes have been made in a single enterprise. The extensive territory of the United States, our magnificent resources, and the growing population furnished an opportunity for the development of gigantic and daring projects in the field of business.

19. Taxes to Government. Although the function of government as a factor in production is indirect and impersonal, nevertheless it is vital. The government performs services which are essential to the successful operation of business enterprise and productive activity. The very complexity of modern life requires governmental regulation in some form or other. For example, the government maintains law and order. It protects our possessions from fire and theft. It enforces contracts and protects private-property rights. The government coins money and determines the value thereof. It regulates transportation agencies and other public utilities.

In return for its services, the government receives taxes and fees of various kinds. The government then uses the revenue derived from taxes and fees to carry on its work. Much of this money, therefore, finds its way back to the people in the form of education, health programs, the construction of roads, national defense, sanitation, conservation, and relief from poverty and unemployment.

In recent years, the government has extended the scope of its activities. This extension of governmental activities has not proceeded without opposition. There are some who feel that the government unduly interferes with the free exercise of business initiative. Excessive taxes also are opposed by those who feel that they impose too heavy a burden upon business enterprise.

F. Economic Inequalities

20. Spotty Character of Our National Prosperity. Despite many evidences of prosperity, which present themselves as we survey the American scene, we are acutely aware of the fact that this prosperity has not been equally distributed among the people of the United States. Nor has it been smoothly distributed over periods of time; the previous chapter on the business cycle explained how periods of depression have alternated with those of prosperity.

Even at its best, American prosperity has been described as "spotty" in character. There are decided inequalities in the ownership of the national wealth and in the distribution of the national income. Despite the great advantages of the machine, millions of our people have not yet adequately enjoyed its benefits; many workers have suffered unemployment from its competition. There is often "want in the midst of plenty."

21. Distribution of National Income. In 1934, the Brookings Institution published the results of its investigation into the economic facts underlying the depression of the 1930's. This report showed that one fundamental reason for the dislocation of the economic system was the fact that the purchasing power of millions of our people was limited to the necessities of life and many were unable to provide themselves with even these necessities. In 1929, when prosperity had reached its peak and the national income amounted to about $81 billion, there were 6 million families trying to live on $1000 a year or less. Of the 28 million families in the United States, 20 million received less than $2500 a year; and of these 20 million families, 12 million received less than $1500 a year. Estimates have indicated that 11 per cent of the national income was distributed among the poorest 42 per cent of the population, while 29 per cent of the national income was distributed to the richest 2½ per cent of the population. According to the report of the National Resources Committee on Consumer Incomes for 1935 and 1936, two thirds of the families in the United States had less than $1500 a year.

22. Division of National Wealth. Estimates of the ownership of the great wealth of the United States also indicate glaring inequalities. In 1927, a typical year in the period of prosperity before the great depression, Professor W. I. King estimated that the poorest people in the United States, that is, those owning less than $3,500 worth of wealth, made up 65 per cent of our population, but owned only 15 per cent of the national wealth; whereas the richest people, that is, those owning $50,000, or more wealth, made up only 2 per cent of our population, but owned 40 per cent of the national wealth. The so-called middle class made up 33 per cent of the population and owned 45 per cent of the wealth of the country.

23. Conclusions. From these studies it would appear that the great problem of our modern economic order is not so much the question of how to produce more efficiently as it is the question of how to distribute more effectively the national income produced. Otherwise, our great national prosperity will continue to be undermined by glaring economic inequality. Prosperity must be better diffused or spread over all groups of people and better maintained over all periods of time. The failure to create, to distribute, and to sustain purchasing power means economic stagnation. Low incomes mean poverty, crime, slums, sickness, lack of education and recreational facilities, and poor citizenship; in short, social degradation.

24. Underconsumption. As pointed out in the previous chapter, one of the causes frequently advanced for the depression of the 1930's was overproduction. However, the analysis made by the Brookings Institution revealed that the actually attained production in 1929 was 20 per cent less than the country as a whole was capable of producing. We have also seen that the incomes received by more than twenty million families, 70 per cent of the total population, were sufficient to enable them to purchase, at best, only the bare necessities of life. Many millions were unable to maintain even a decent standard of living and the consumption of conveniences, comforts, and luxuries was confined to a rather limited percentage of the population. Consequently goods were not being produced in excess of the wants of millions of the American population. The problem then was underconsumption, not overproduction. Overproduction existed merely in the sense that more goods were being produced than could be purchased. There were millions who wanted desirable commodities and essential services, but they lacked the purchasing power to buy them.

Photo from Ewing Galloway

A HOME IN THE OZARK MOUNTAINS

Families in homes like this are unable to purchase more than the basic necessities of life—luxuries are unknown.

G. REDUCING ECONOMIC INEQUALITIES

25. Difficulties Involved. The problem of reducing economic inequalities is not an easy one. Economic differences in human society have long existed; probably they will continue as long as there are individual differences among human beings. Nature has not given all of us the same mental and physical qualities. As long as there are differences among human beings, there will be differences in individual achievements and in economic rewards.

The size of a man's income depends on his industry and ability as a producer. But it also depends on his ownership of wealth, which he may have earned and saved, or which he may have inherited without great achievement, or even effort, on his own part. Life is also full of examples of superior individuals who, through lack of opportunity and through poor environmental conditions, are able to earn only meager or, at best, moderate incomes.

26. New Three R's of Relief, Recovery, and Reform. The industrial depression of the 1930's followed a period of unusual prosperity. Millions of Americans had become accustomed to high standards of living. Consequently the decline of prosperity with its unemployment, loss of income, privation, and suffering was bitterly resented. Attention was focused upon the inequalities in the economic scale and many schemes were advanced for reducing these inequalities. Some of these schemes have been decidedly radical in nature, others, more conservative. The new three R's of Relief, Recovery, and Reform were vigorously discussed. Conservative thinkers argued for the preservation of our system of "rugged individualism"; radicals proposed the overthrow of capitalism and the creation of a new economic order; the "middle of the path" progressives or liberals wished not to abolish capitalism, but to reform it.

27. Radical Views on Redistribution. Communists propose equal distribution of the national income. Their slogan is: "From each according to his ability and to each according to his needs." This extreme view of distribution has been opposed on the ground that it would eliminate the incentive for productive effort. The primary urge which drives men to great mental and physical exertion would be lacking. There would be little reward for individual skill, initiative, daring, and perseverance. All human effort would be reduced to a common level.

Socialists would permit differences in income based on differences in economic contribution. However, they would eliminate entirely, or restrict sharply, property income in the form of rent on land and interest on capital. Industry would be socialized and private profits would be eliminated. Thus only earned income in the form of wages or salaries would be paid. All incomes would be for services rendered and no income would be for wealth owned. In addition, there would be social-insurance benefits to the sick, disabled, or unemployed members of society. The slogans of socialists are: "Production for service and not for profit," and "Acquisition according to productivity."

28. **Equality of Opportunity.** Economic equality, illustrated by communism, would require that the national wealth be held in common and the national income be distributed equally to all members of society, or in proportion to human needs. Equality of opportunity, however, is a vastly different ideal. This concept merely means an equal chance to all to become unequal. All men may be born equal before the law, but all individuals differ in native abilities and in natural aptitudes. Wholesome competition will result in placing them in their proper stations in life. Superior achievement must be rewarded by such prizes as greater income or higher social position. Otherwise the more gifted members of society will not exert themselves to the full or give their best efforts. But if the United States is to remain a land of opportunity and not become one of special privilege, the race of life must be a fair one; that is, free from social handicaps or economic barriers. Otherwise the race will not be to the swiftest but to the most favored or most fortunate.

29. **Redistribution through Taxation.** A form of income redistribution already in operation is taxation. The income tax, for example, takes away a portion of the income received by prosperous individuals. The larger the

income, the greater the amount payable under this tax and the greater the rate of taxation. By means of this tax the government is able to carry on activities to promote the welfare of those who do not have taxable incomes. The Federal Government and many state governments have come to rely more and more on the taxation of incomes.

The estates tax is a tax placed by the Federal Government upon the estate left by an individual at death. Many states have also placed levies, called inheritance taxes, upon property that is received by heirs as legacies from those who have died. Each is, in reality, a tax upon the transfer of wealth at death. Both are examples of how modern society has limited the right of an individual to do as he chooses with his own possessions. The government takes away a portion of the deceased individual's wealth and uses it for the benefit of society as a whole.

30. Higher Wages. Raising the level of wages also has been advocated as a means of reducing economic inequalities and raising the purchasing power of the masses. Good wages mean high planes of living for the workers. Low wages mean inadequate food, poor housing, preventable sickness, disease, and even crime. On the whole, however, the wage scale prevailing in the United States is higher than that in any other country.

It has been argued that raising wages will not solve the problem of distribution. There is an intimate connection between wages and costs of production. When wages are increased the cost of production also increases, and consequently the consumer pays a higher price for the product. Unless wages are raised generally throughout the country, there will be some groups who will have to pay the increased prices for consumers' goods without receiving a corresponding increase in wages.

Some employers also will suffer unless there is a general rise in wages, since those who are paying good wages, at a consequent increase in production costs, will compete at a disadvantage with employers who are paying low wages.

31. Increased Production and Lower Prices. Another plan for spreading prosperity is to increase the production of commodities and services, but to lower their costs of production, and thus to reduce their prices. Goods can be produced at a lower cost through the elimination of waste and the utilization of modern machinery, efficient labor, and expert management. The greater the volume of production, the less the cost per unit. The reduced cost of production will then result in lower prices to all consumers.

The lowered cost of goods will bring vast quantities of them within the reach of millions of purchasers who would not have been able to buy these goods at high prices. In this way, there will be a wider distribution of the real national income which works not only to the advantage of the great masses of consumers, but also to that of producers. At the lower price level there is a greater flow of commodities and services to the average consumer. The manufacturer also profits because there is a constant demand for the products of industry. Lowered prices therefore will not necessarily mean reduced profits. Although the profit per unit may be less, the aggregate profit may be greater because of the increased volume of sales.

Since the necessities of life will cost less, millions of people will be able to spend more for comforts and luxuries. Families will be able to obtain adequate medical care and enjoy greater educational advantages and recreational opportunities. For those who desire it, more income can be spent on art, literature, and music. In this way, the machine can be used to raise the cultural, as well as the material, level of the American people. Our American civilization might then be measured not so much by what we eat, drink, and wear, as by how we think, talk, write, and live.

Summary. Since primitive times, man has been engaged in the production of economic goods for human consumption. Wealth today, in the form of radios, automobiles, office buildings, factories, and machinery, is in marked contrast to that of primitive man, which consisted only of the few crude implements which he was able to fashion out of natural objects.

Wealth, in its economic sense, includes want-satisfying, scarce, material things, which are transferable, and for which a demand exists. The national wealth is the sum total of all the want-satisfying material things possessed by individuals and groups of individuals in the nation. The value of wealth increases or decreases inversely in proportion to its supply. The value of wealth is generally expressed in terms of money, which is a variable standard of value.

Wealth is the stock of goods in existence at a particular time; whereas income is the flow of commodities and services over a period of time.

Under the operation of the price system, the producer receives his reward for the wealth he creates in the form of money. This is called money income. With this money the producer purchases the commodities and services necessary to gratify his wants. The real income is the supply of economic goods which the money income is able to purchase.

The distribution of the national income has a direct influence upon the prosperity and welfare of the people. Distribution, in the economic sense, is the division of the national income among the factors which have helped to produce it. These factors are land, labor, capital, the entrepreneur, and the government. For its share in production land receives rent; labor receives wages; capital receives interest; the entrepreneur receives profits; and the government receives taxes.

The production of an enormous income has made the United States a prosperous country. Our people enjoy a higher standard of living than those of other nations. Prosperity, however, has not been diffused equally among the various groups within our population. Grave economic inequalities exist. There are millions of families whose incomes provide less than the necessities of life.

One of the most serious problems of our day is the more equitable distribution of the national income. It has been argued that some factors of production receive a disproportionate part of the national income and that ownership shares, such as rent, interest, and profits, should be reduced in favor of service shares, such as wages and salaries.

Various schemes have been recommended for reducing economic inequalities. Among the measures proposed or in use have been the elimination of the profit motive from production, the reduction of rent and interest payments, and the increase of wages. Another plan proposes increased production with reduced costs of commodities and services to the consumer. Redistribution of income is now being achieved through income and inheritance taxes. Although glaring economic inequalities are unfortunate, a flat economic equality is not to be desired so much as equality of opportunity.

Word Study: Distribution; utility; exploited; immobility; entrepreneur; equitable, equal; liberals, progressives, conservatives, radicals; communism, "rugged individualism," socialism, paternalism.

Questions on the Text

1. What is wealth? Give some examples of primitive wealth; of modern wealth. What is meant by the national wealth? What does it include?

2. What is meant by the money income? How is it created? What is the real income? The national income? Distinguish between wealth and income.

3. What is meant by distribution? Why has so much attention been focused upon the problem of distribution?

4. Name the share that each of the following factors receives for its work in production: land, labor, capital, the entrepreneur, the government.

5. What determines the amount of the share of the national income received by each of the factors of production?

6. What is meant by the immobility of labor?

7. How is capital created? What has been the influence of capital goods upon production?

8. Why is the entrepreneur an essential factor in the operation of a business enterprise?

9. Why is the government considered a factor of production? Has governmental activity in business increased or decreased during the twentieth century? Illustrate. Has the share the government receives from production increased or decreased during the twentieth century? Illustrate.

10. What evidences are there to show that economic inequalities exist in the United States? Why do economic inequalities exist? Can they be entirely eliminated? Explain. Can they be reduced?

11. Discuss the various methods that have been suggested for reducing economic inequalities.

12. Compare the slogans of communism and socialism.

13. Distinguish between economic equality and equality of opportunity.

Application and Interpretation

1. Name some forms of wealth in your community which were not in existence in the days of George Washington. Are they a part of the national wealth?

2. What are some of the leading industries in your community? Do the workers in these industries consume the wealth

they help to produce? What influence have capital goods upon the productivity of these industries?

3. Why do communities differ in regard to the amount of wealth they possess? Why do individuals differ in regard to the amount of wealth they possess?

4. Examine a building operation in your community. Show how each of the factors of production is involved in that building operation.

5. What is the relationship between thrift and the productive process?

6. What would be the effect upon your community if capital goods were dispensed with? If they were owned collectively?

7. Explain the statement: "The people in my community must save some wealth in order to create more wealth."

8. If wealth is increased in amount, what happens to its monetary value? Is it desirable to increase the amount of wealth? Why or why not? Is it desirable to vary the kinds of wealth? Why or why not?

9. Would you say your community is a prosperous one? How would you determine its prosperity?

10. Name some services performed for business enterprise in your community by local government. By the state government. By the Federal Government.

11. Are there marked economic inequalities in your community? Is it possible to reduce these inequalities? How? Is it desirable? Why or why not?

12. Would your community benefit if the wages of a few groups of workers were increased? Would it benefit if the wages of all workers were increased? Explain. Can wages be raised by law?

13. How would socialists organize production and plan distribution?

14. Would the problem of inequalities be permanently solved if the wealth of your community were distributed equally among all the people?

SUGGESTED ACTIVITIES

I. Prepare talks on the following topics:

1. Capital goods and their influence in raising the standard of living in the United States.

2. Natural conditions that have contributed to the prosperity of the United States.

3. The careers of some famous captains of industry.

4. Dependence of modern industry on the co-operative work of the five factors of production.

5. Taxation as a form of wealth distribution.

6. Standards of living today compared with standards during the Revolutionary period in American history.

II. Draw cartoons illustrating:

1. "Want in the midst of plenty."

2. "Economy of scarcity" versus "economy of abundance."

III. 1. Write an essay giving your views on reducing economic inequalities and raising standards of living.

2. Write an editorial on either or both of these topics: (*a*) "All men are born equal"; (*b*) "America, the land of equal opportunity to all."

Collateral Readings

Atkins and Wubnig—*Our Economic World;* Chap. I, "Our Money Making Society"; Chap. XIV, "Inequality of Wealth and Income."

Burch—*American Economic Life;* Chap. III, "Economic Ideals."

Corbett and Colvin—*Modern Economics;* Unit XI, "The Consumer and His Income."

Fay and Bagley—*Elements of Economics;* Part V, "Department of Distribution."

Smith—*Economics;* Chap. XXVII, "The Problem of Distribution."

Williamson and Wesley—*Principles of Social Science;* Chap. X, "Sharing the Products of Industry"; Chap. XIII, "A Program of Industrial Reform."

Advanced Readings

Chase—*The Economy of Abundance.*

Douglas—*Real Wages in the United States.*

Ely—*Outlines of Economics,* Part III, "Distribution."

Gillette and Reinhardt—*Current Social Problems;* Chaps. VIII, IX, X, XI, "Distribution of Wealth and Income in the United States."

Hobson—*Poverty in Plenty.*

Leech—*The Paradox of Plenty.*

LEVEN, MOULTON, and WARBURTON—*America's Capacity to Consume.*

MOULTON—*Income and Economic Progress.*

NOURSE and Associates—*America's Capacity to Produce.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Part VIII, "Problems of National Welfare."

PRESIDENT HOOVER'S COMMITTEE—*Recent Economic Changes;* Vol. II, Chap. XII, "The National Income and its Distribution."

SLICHTER—*Modern Economic Society;* See Index.

REFERENCES

National Bureau of Economic Research—*Reports on National Wealth and Income.*

National Industrial Conference Board—*Reports on National Wealth and Income.*

National Resources Committee—*Consumer Incomes in the United States.*

United States Census Bureau—*Reports on National Wealth and Income.*

United States Department of Commerce—*Reports on National Wealth and Income.*

CHAPTER XIII

ORGANIZED LABOR AND COLLECTIVE BARGAINING

Objectives:

(1) To examine the rise, structure, and policies of labor organizations and of employers' associations.

(2) To realize the significance of industrial disputes and to analyze methods for the promotion of industrial peace.

A. Central Problem—Industrial Peace or War

1. **Desirability of Industrial Harmony.** The business of getting a living in our modern world is frequently disturbed, not only by business crises and depressions, but also by strikes and serious conflicts between labor and capital. Both capital and labor are essential in modern production. Each has a vital function in the work of producing the goods which are necessary to satisfy the enormous demands of our people for food, clothing, shelter, comforts, and luxuries. The services of each are indispensable to the other; and the work of both influences vitally the welfare of society as a whole. It is important therefore that capital and labor work together harmoniously in the production of wealth.

2. **Dangers of Industrial Conflict.** Despite the recognized need for co-operation, employers and employees are often violently opposed to each other. It is natural to expect that differences of opinion, even disputes, will arise between these two groups. Nevertheless, when disputes degenerate into bitter conflicts, characterized by selfishness, narrowness, and even violence, then grave

consequences result. In the heat of industrial warfare, it is difficult for opposing groups to reason calmly and fairly. Each group concentrates on its own objectives; the interests of society are sometimes completely ignored.

The public has become increasingly aware of the fact that industrial warfare does not concern merely the interests of capital and labor but also vitally affects large portions of the population. The economic activity of entire communities may be dislocated as a result of strikes or other forms of industrial conflict occurring at some far distant point. The public has likewise learned that the diminished production resulting from industrial warfare means not only a loss of business to merchants, disruption of transportation and other services, but also greatly advanced prices to consumers.

Industrial warfare extended over a long period leads to sickness, disease, and poverty for the workers and their families. For the employer it means loss of revenue, loss of customers, and the break-up of his labor force. In conflicts where the ill-feeling has flared into open violence, property has been destroyed and lives lost.

The bitterness and hatred which are provoked by industrial warfare make difficult the successful operation of a democratic society. American democracy cannot hope long to endure if the interests of special groups run counter to the welfare of society as a whole. In view of the great social significance of conflicts between economic groups it is not difficult to understand why the American citizen today is particularly interested in the nature of industrial conflicts, their causes, and the efforts that have been made to prevent or adjust them.

B. FACTORY SYSTEM BRINGS ORGANIZATION OF LABOR

3. Influence of the Industrial Revolution. The great conflicts between capital and labor today have, in large measure, resulted from economic changes that have been taking place in the industrial system since the start of the Industrial Revolution. Because of these changes capital and labor have become separated into two distinct groups.

(*a*) *Era of Handicrafts.* Before the Industrial Revolution took place, goods were made in small shops, often located in the homes of the workers. In this small-shop system of production, there were no sharp distinctions between the master workman, or the owner, and the laborers in his employ. Usually only a few workers were employed in each shop, and an intimate relationship existed between the owner and his assistants. Production was limited and large amounts of capital were not required.

Hand-tools were used in the work of production; the motive power was human energy. The workers owned their tools and possessed considerable freedom of action. Long hours prevailed, but the work was carried on in leisurely fashion. The worker was not subjected to the rigid discipline of our modern factory system, nor to the pace setting of the traveling belt.

Skill was required in the production of goods and the reputation of the worker was based on the quality of his workmanship. The worker felt that the article which he produced was evidence of his own creative skill. Considerable dignity and responsibility, therefore, were attached to the labor of the individual.

Although the workers were conscious of the fact that they belonged to the "working class," nevertheless they did not feel that they belonged to a class whose interests were at variance with the interests of their employers. It was not very difficult for a thrifty and efficient worker to become the owner of a shop himself.

(*b*) *Machine Age.* The Industrial Revolution, which began about the middle of the eighteenth century, changed all this. The handicraft system with its small shop and small group of workers, its close personal relations, its limited production, and its leisurely atmosphere disappeared. In its place came the modern factory with its machinery, its throngs of workers, and its discipline.

The use of factory buildings, machinery, and raw materials required large amounts of capital. The individual workers did not have the capital necessary to buy this elaborate equipment. Consequently the possibility of ever becoming an owner was remote. The position of the workers therefore changed.

The worker, who had formerly owned his own tools and controlled his own production, now became simply a cog in the vast machinery of modern industry. He labored at a machine in company with scores or hundreds of other workers. With increased specialization he found himself toiling day after day on some small part of a commodity which he might never see in its completed state.

Under the factory system the relations between the workers and the owners have become distant and impersonal. With the growth of the corporate form of business organization, the separation between owner and worker has become even greater. Ownership in big business has become divorced even from management and control. The small stockholders, who are part owners of the industry, as a rule, know little or nothing about the management of the corporation, its policies, or the condition of its workers.

The individual worker in this new industrial system found himself at a disadvantage and was almost helpless in dealing with his employer over such vital questions as wages, hours of labor, and working conditions. He became dependent on the wishes, and often the whims, of his employer.

4. Advantages of Group Action. With the continued development of the factory system the workers realized the advantages that could be obtained through collective effort. They sensed the fact that group action would tend to offset the weakened position of the individual worker under modern industrial conditions. By associating themselves together in definite organizations the individual in the group would be protected by the collective strength of all the workers. As a member of a labor organization, the worker could obtain advantages which he could not obtain as an individual.

5. Nature of Collective Bargaining. The practice by which labor organizations through representatives of their own choosing deal or negotiate with employers is called collective bargaining. Labor organizations deal with employers in regard to such matters as wages, hours of labor, working conditions, and the maintenance of certain practices which are regarded as essential to effective and independent collective bargaining. Federal legislation sought to define, as well as to guarantee, the general principle of collective bargaining in the National Industrial Recovery Act and in the Wagner Act, to be discussed at the end of this chapter.

6. Change in Public Attitude toward Organization of Workers. In order to secure the advantages of collective action, wage earners began at an early date to join together in labor organizations. These early labor organizations were frowned upon by the courts and by public opinion, both in the United States and in England. Later, public opinion and the attitude of the courts changed. The principle of collective bargaining became generally accepted. Still later, as we shall see, it was written into law.

Not all practices of labor have been held legal. The United States is a federal government and the laws of the several states vary considerably in regard to collective bargaining and other policies of labor organizations.

C. Structure of Labor Organizations

7. Extent and Importance of Organized Labor in the United States. The term "organized labor" is usually applied to those wage earners who belong to some labor organization. Organized labor does not include within its ranks the entire body of wage earners. In fact, by far the greater part of the labor force is unorganized. According to statistics compiled by the Brookings Institution, less than 7 per cent of the forty-nine million gainfully employed workers in the United States were members of labor organizations in 1930. However, this percentage and the number of organized workers doubled by 1940.

Encouragement was given to the organized labor movement by the enactment of the National Industrial Recovery Act in 1933. The Wagner Labor Relations Act, enacted in 1935 after the N.I.R.A. was declared unconstitutional, further stimulated the organization of labor.

The organized workers of the United States are distributed for the most part among such organizations as the American Federation of Labor, the Congress of Industrial Organizations, the Railroad Brotherhoods, and similar groups. The most highly organized industries in the United States are transportation, manufacturing, building, the metal trades, machinery, shipbuilding, mining, and quarrying. In general, we do not find salaried workers, farm laborers, public employees, and domestic workers in organized groups.

Some foreign countries have had a greater percentage of their workers organized than the United States. In Great Britain and Australia, for example, labor organizations have been relatively stronger in number and in political influence.

8. Types of Labor Organizations. Labor organizations in our country have differed considerably not only in the nature of their organization but also in their policies and methods. In general, three types may be recognized: the labor union, the trade or craft union, and the industrial union. While the company union is also a type of labor organization, it is so often controlled by management that it is not generally considered a part of organized labor.

(*a*) *Labor Union.* The labor union was an early form of labor organization which attempted to bring about the union of all types of workers, without regard to the trade or industry to which they belonged. Even professional people, with some exceptions, were permitted to join. The labor union sought to improve the condition of the workers through political means, through education, and through improvement of social conditions. Its aims were more general than specific. The Knights of Labor, which assumed importance after the War between the States, was an example of a labor union.

(*b*) *Craft or Trade Union.* The labor union was followed by the craft or trade union. The trade union, sometimes called the horizontal union, is an organization of wage earners engaged in some particular trade or craft. The trade or craft union is an exclusive organization because it does not include in its membership all the workers in an industry. It appeals particularly to the skilled workers.

The craft or trade union is a practical type of union; it is primarily interested in the wages, hours of labor, and working conditions of its members, as well as their right to collective bargaining. The American Federation of Labor, which we shall discuss later in this chapter, is a federation of national trade or craft unions.

(*c*) *Industrial Union.* The industrial union, sometimes called the vertical union, differs from the labor union and the craft union. It is not organized on a craft basis but is composed of members drawn from some particular industry as a whole. Thus an industrial union would include all the wage earners, both skilled and unskilled, in the automobile industry, the steel industry, the textile industry, the mining industry, or any other industry.

9. Craft or Horizontal Union versus Industrial or Vertical Union. The relative merits of the craft union and the industrial union have been heatedly debated within the ranks of organized labor. The industrial union has been ardently championed by those who feel that it is better fitted than the trade union to cope with mass production conditions in modern industry. They maintain that, since its membership is open to all workers of an industry, its bargaining power is therefore greater than that of the craft union with its more limited membership. With craft unions it is not possible to secure the united action of all the workers, since each craft or trade union has its own aims and interests, and the leaders of great industries can deal separately with each.

It has also been pointed out that the great business units in the United States today are not organized along craft or trade lines, but along industrial lines. An industrial union, therefore, would parallel the business structure; hence it would more adequately serve the needs of the workers.

Advocates of the industrial union also maintain that modern machinery has decreased the importance of the crafts and skilled trades in industry. Workers can, within a relatively short period of time, learn to operate machines and perform the routine tasks under our modern system of production with its minute division of labor. There are, therefore, in American industry today large numbers of unskilled and semiskilled workers whose interests are not adequately protected by craft or trade unions.

Those who favor the craft or trade union, on the other hand, advance the argument that the craft union protects the skilled workers from competition with unskilled workers. They also maintain that the needs of the different trades or crafts vary, and that the local trade union can meet more effectively the special needs of some particular trade or craft.

10. Company Unions. The company union is an organization of workers within a particular plant or business corporation. It is not, however, associated with the organized labor movement. In fact, labor organizations oppose company unions. Company unions were developed through the aid and encouragement of employers. It is claimed therefore that, since the workers in a company union are under the supervision of the employer, their bargaining power will necessarily be weak. It is also maintained that company unions have been promoted by employers for the express purpose of combating the organized labor movement.

Company unions made substantial progress in the 1920's, when employee representation was encouraged by many employers. The passage of the National Industrial Recovery Act in 1933 also stimulated the growth of company unions. The Wagner Act, however, restricted the activities of employers in their attempts to promote company unions.

D. History of Labor Organizations in the United States

11. Early Labor Organizations. The tendency of wage earners to group themselves into labor organizations was evident even before the industrialization of the United States began in the first quarter of the nineteenth century. Organized labor was first found among workers in the handicrafts and building trades. These early unions were local organizations whose activities were confined to the localities in which their members worked. They were viewed unfavorably both by public opinion and the courts. With the passage of time, however, public opinion changed and the courts also adopted a more liberal attitude.

Before 1860, labor organizations of various kinds had made their appearance. These early trade unions were in favor of higher wages and shorter working hours; they also devoted themselves to such objectives as public education, free land settlement, and abolition of imprisonment for debt.

12. Knights of Labor. The Knights of Labor, which was organized in 1869 as a secret organization of tailors in Philadelphia, developed into a powerful national labor organization. Although it ceased to be important before the opening of the twentieth century, nevertheless it marked an important step in the organized labor movement in the United States. Before the Knights of Labor reached its greatest power it had ceased to be a secret organization and had extended the opportunity of membership to all workers, without regard to trade or occupation. In seeking to unite all workers it became a typical labor union.

The Knights of Labor was a highly centralized organization; the local units which composed it possessed little autonomy or power. It sought to achieve its objectives through political channels, and not through the use of boycotts and strikes. Although the Knights of Labor became a powerful organization, many workers felt that its highly centralized character and general aims did not permit it adequately to serve the best interests of many groups of wage earners.

13. American Federation of Labor. In response to the demands for an organization that would be more practical in its objectives and, at the same time, give the local units more power, the American Federation of Labor was organized in 1881. This organization was destined to play an important part in the affairs of organized labor.

(*a*) *Membership.* The membership of the American Federation of Labor in 1881 was forty thousand. In 1886, the organization underwent changes, and from that time steadily increased in power and influence. In 1900, its membership was well over five hundred thousand; in 1910, it was over one million five hundred thousand; and in 1920, it reached a high point of over four million. By 1930, the depression had reduced the membership of the American Federation of Labor to slightly over two million.

The enactment of the National Industrial Recovery Act in 1933 provided a new stimulus for the growth of membership, and in 1934 enrollment in the American Federation of Labor again reached four million. On May 31, 1939 the paid membership of the American Federation of Labor was reported to be 3,797,385, exclusive of the paid membership of the United Textile Workers of America or the International Union of United Automobile Workers whose charters were restored during that year.

(*b*) *Organization.* The American Federation of Labor is a federation of national trade or craft unions with headquarters at Washington, D.C. In addition to the craft and trade unions, it formerly included some industrial unions, such as the United Mine Workers.

The basic unit of the American Federation of Labor is the local trade or craft union. Each local union possesses considerable independence of action and has control over some particular territory. The local union belongs to its national union, and the national union belongs, in turn, to the American Federation of Labor. There are also state and international organizations. An international union is one that is associated with unions in Canada or Mexico. If a local trade union has no national organization, it may join the American Federation of Labor directly, until such time as a national organization is formed.

(*c*) *Policies.* The American Federation of Labor is practical and conservative in its policies. It seeks not to overthrow the existing social order, but to obtain economic benefits therefrom for its members. Through collective bargaining and trade agreements it seeks to attain higher wages, shorter hours, and improved working conditions. In case peaceful negotiations between employers and workers are fruitless, the American Federation of Labor uses the strike and the boycott as ''weapons of last resort.''

14. Industrial Workers of the World. The Industrial Workers of the World was a form of industrial union which came into existence in the first decade of the twentieth century. Although never large in membership it was considered a dangerous threat to peaceful industry. During the World War it was suppressed by the United States Government.

The I.W.W. was not organized on a craft basis but recruited its members from industry as a whole. Its primary purpose was to organize all the industrial workers of the world into one gigantic organization, so that they would be able to make a united stand against capitalism. The Industrial Workers of the World was decidedly radical and revolutionary in its policies. It aimed to abolish the existing social order and to substitute for this system one that would be under the control of the workers. One of the weapons often employed by the I.W.W. in industrial conflicts was *sabotage.* This is a French term applied to the practice of secretly destroying goods and machinery or setting fire to buildings.

15. Congress of Industrial Organizations. For some time the question of organization had seriously disturbed the American Federation of Labor. There were two distinct factions. One party, that in control under President William Green, favored continuing under the old trade and craft system of organization; the other party, that in opposition under the leadership of John L. Lewis, president of the United Mine Workers, favored the industrial plan of organization. The relative merits of these two types of organizations have already been discussed.

After considerable dissension in the ranks of the American Federation of Labor, Mr. Lewis and his followers formed the Committee for Industrial Organization in 1935, and secured the support of a number of organizations belonging to the American Federation of Labor. In 1936, Mr. Lewis and the unions that composed the Committee for Industrial Organization were expelled from the parent organization.

In 1938, the name, Committee for Industrial Organization, was changed to the Congress of Industrial Organizations. In November of that year the membership of the C.I.O. was reported to be 3,787,877. Leaders of the new movement had been successful in their strenuous efforts to organize workers in the great industries of the country.

E. AIMS OF LABOR ORGANIZATIONS

16. High Wages. It is not easy to determine what constitutes a fair wage. A good wage under living conditions in one part of the country might be a poor wage under different living conditions prevailing in another part of the country. Wage rates have long been a subject of dispute between employers and employees. The raising of wages has been one of the chief practical aims of labor organizations in the United States.

The previous chapter, devoted to the distribution of the national income, indicated the general social and economic importance of high wages. To the employee, good wages mean a decent standard of living. This, as will be seen in the following unit, includes good food, adequate clothing, proper medical care, and educational and recreational opportunities. Low wages, on the other hand, mean a lowered plane of living and a lack of the comforts and perhaps even the necessities of life. These contribute to the problem of poverty to be discussed in Part III.

To the employer wages constitute an important item in his cost of production. If one employer pays high wages and another employer engaged in a similar business pays low wages, the former will operate his establishment at a disadvantage. The problem therefore is a perplexing one for employers desiring to pay good wages. While there has been some disagreement as to the degree to which collective bargaining is responsible for higher wage scales, it is apparent that the wages of organized workers are generally higher than those of unorganized workers.

17. Short Hours of Labor. Hours of work have also been an important consideration of organized labor. The excessively long working day from dawn to dusk or even late evening, which characterized an earlier period in our industrial history, is no longer in general use. Hours of labor have been further reduced from the week of 60 hours or more, common in the nineteenth century, to the week of 48, 44, or 40 hours of the present period.

The reasonably short working day is alike possible and necessary because of the conditions of modern industry with its automatic machinery, its minute division of labor, its speed, its assembly line, and its nervous tension. The shorter working day affords greater opportunity for recreation, education, and the conservation of health. It is also claimed that the shorter working day permits wider distribution of work, thus providing employment for a greater number of people.

The question of hours, like that of wages, is a difficult one to settle. A general rule of hours cannot be applied to all work, as the conditions of labor vary so widely in different industries. Four hours a day might be excessive for a miner under certain exhausting conditions, while nine hours might not be excessive for a salesman who spends a great deal of his time traveling.

The employer claims that a drastic reduction in hours means less production and less wealth. If production is curtailed and less wealth is produced, not only are the employer's profits reduced, but the worker's share of this wealth in the form of wages is reduced and the cost of goods to the consumer is increased.

While some unregulated industries are still operating under a nine-hour day, and even a ten-hour day, popular sentiment favors an eight-hour day. The eight-hour day is found in such industries as the railroads, the building industries, the printing trades, and government service.

The depression and the unemployment of the 1930's resulted in efforts to reduce still further the hours of work. The Fair Labor Standards Act, passed by the Federal Government in 1938, specified a working week for many employees of 44, 42, and 40 hours. Today some individuals and groups are visioning a five-day week with a six-hour working day.

18. Good Working Conditions. The development of modern industry has been marked by a decided improvement in working conditions. States have enacted legislation to safeguard the health and safety of the workers. Labor organizations have also made efforts to bring about improvements in factories and other places of employment which would safeguard and promote the welfare of workers. Much of the improvement that has taken place in working conditions has been due to the efforts of public-spirited individuals and groups not associated with organized labor. They have been, in some measure, instrumental in eliminating sweatshops, in reducing the hazards of dangerous machinery, and in improving sanitary conditions.

19. Social and Educational Opportunities. Some labor organizations offer their workers important services. They provide insurance and health benefits; they serve as employment agencies; they furnish opportunities for education and recreation through lectures, courses of study, and reading rooms. Some of the local organizations also provide social centers for the wage earners and their families.

F. Policies of Collective Bargaining

20. Closed Shop. The closed shop is a term applied to an establishment employing only men who belong to the union. One of the important aims of organized labor is to secure for its members the advantages of the closed shop. Efforts of labor unions to obtain the closed shop have often created serious conflicts between employers and employees.

The closed shop has been criticized on the grounds that it permits organized labor to interfere with the right of the owner to select his own labor force and to operate his own business as he sees fit. Organized labor defends its position with the claim that the closed shop brings benefits to all classes of labor, whether organized or unorganized.

21. Open Shop. The open shop is a business establishment which is independent of labor organizations. The employer is guided only by his own judgment in the selection of his labor force. It has been said that the so-called *open shop* may also, in a certain sense, be considered a *closed shop,* inasmuch as the owner of the shop may refuse to employ members of organized labor groups.

22. Restriction of Output. Labor organizations have been inclined to favor the policy of limiting output. This may be accomplished through restricting production to a certain pace, and limiting the amount of work which a laborer can turn out in a specified time.

Laborers feel that limiting the output helps to prevent "driving the worker." With the use of modern machinery and the assembly line, a form of pace setting has been employed in some lines of work which taxes to the utmost the health and strength of the worker, and which may have an unfortunate effect on his nervous system. Restricting output, therefore, is a measure employed by organized labor to offset the dangers of *pace setting* by employers.

23. Limitation of Membership in Unions. Some unions have practiced not only restriction of output, but also restriction of membership within their unions. They have sought to secure not only a closed shop but also a *closed union.* The restricting of membership and the lengthening of apprenticeship in strongly organized crafts have been defended as devices to promote good work and to develop capable workers. But the policy has also been criticized as a device for creating an artificial scarcity of a particular type of labor and thus raising its price or wage. It has been termed a monopoly of labor; it has been regarded as harmful as the monopolies of capital, discussed in Unit A.

24. Union Label. A mark attached to goods manufactured in a union shop advertises the fact that an employer operates his establishment in accordance with union principles. Consumers who are in sympathy with the objectives of labor organizations will be influenced by the *union label* to purchase goods from those firms meeting standards set up by labor unions.

25. Unfair and Fair Lists. Another effort of labor unions to promote the sale of goods produced according to accepted labor practices is the publication of lists of employers who have failed to meet the demands of labor and who have given evidence of hostility toward labor policies. These lists of employers unfriendly to organized labor are called *unfair lists.* They may be published in the journals of labor organizations. In this way labor organizations hope to divert the business of labor sympathizers from "unfair employers."

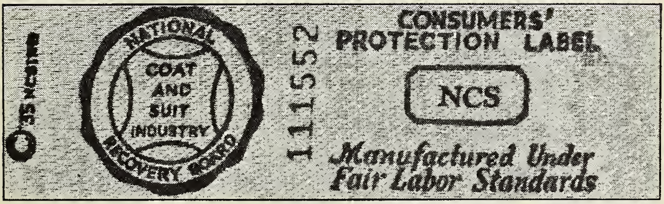


Photo from Keystone View Co.

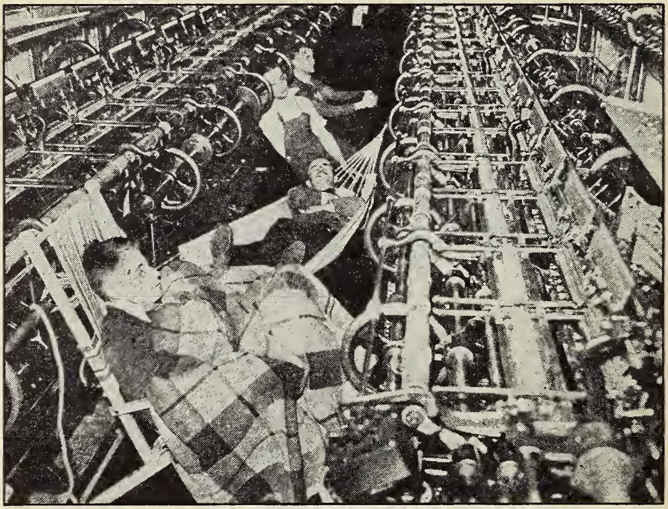
UNION LABEL

Consumers' Leagues, in co-operation with organizations sympathetic to workers, have prepared and published *fair lists* of employers maintaining good working conditions and short working hours. Public patronage of their products therefore is solicited. Whereas the unfair list is a threat, the fair list is a reward.

G. WEAPONS OF COLLECTIVE BARGAINING

26. Strikes and Lockouts. (*a*) *Definitions.* A strike takes place when a group of employees leave their work and refuse to return until their demands have been met. All the workers in some particular plant or industry or only a portion of the entire labor force may cease working. Until recently it has been customary for strikers to leave the plant of their employer; that is, literally to *walk out.* The closing of his plant to the workers by an employer is called a *lockout.*

(*b*) *"Sit-down" Strikes.* A new form of strike occurred in 1937 in the General Motors factories in Detroit, Michigan, when the employees stopped work but refused to leave the plants. This was called a *sit-down* strike.



Acme Newspictures, Inc.

A SIT-DOWN STRIKE

Striking workmen sleep in makeshift beds set up between rows of idle machinery.

The sit-down strike originated in France. It was adopted in this country by the Committee for Industrial Organization, who used it in their effort to bring about unionization of certain industries and to force compliance with their demands.

This strike was followed by an epidemic of "sit-down" strikes in various parts of the country. It has been condemned by many people who maintain that in taking possession of the shops and factories of their employers "sit-down" strikers violate the right of private property guaranteed by the Constitution. These workers, on the other hand, defend the "sit-down" strike on the grounds that it has been forced on them by the unfair tactics of employers, that human rights are more important than property rights, and finally, that the workers themselves have as great a property right in their jobs as employers have in their factories.

Public opposition, restrictive legislation, and unfavorable court decisions led to an abatement, if not an abandonment, of "sit-down" strikes. A modification, however, developed in the form of the *slow-down* strike. This term came into use in 1939 in connection with a labor disturbance in the factories of the Chrysler Motor Company. This mild form of sabotage was alleged to have been used by dissatisfied workers as an effective means of emphasizing their demands on management. In a "sit-down" strike workers remain idle within the plant, whereas in a "slow-down" strike they continue to work, but reduce their speed and productivity.

(*c*) *Strikebreaking.* The employer may make efforts to break the strike and to resume production by employing new labor forces called *strikebreakers.* This action on the part of the employer is bitterly resented by the strikers who apply the term *scabs* to strikebreakers.

(*d*) *Picketing.* In order to oppose the use of strikebreakers, or to induce nonstriking employees to quit work, strikers may post men about the plant of their employer. It is the duty of these men to prevent strikebreakers or nonstriking fellow employees from entering the building. This practice is called *picketing* and the men or women engaged in it are termed *pickets.* Strikers often engage strikebreakers in conversation and try to persuade them not to work. When these peaceful methods of persuasion fail, violence may be resorted to. Peaceful picketing is a legal procedure.

(*e*) *Recency and Frequency of Strikes.* While strikes had been employed for many years by labor organizations, they did not become a problem of major national importance until after 1870.

STRIKE
STRIKE

Acme Newspictures, Inc.

Dozens of Pickets for One Building

A scene during a four-day strike of New York City's building-service employees.

For long periods the industrial scene may be relatively undisturbed; at other times strikes occur with great frequency. It appears that strikes occur most frequently during the recovery phase of the business cycle. It is during this period that costs of living begin to mount more rapidly than money wages. In depressions, strikes are often ineffective.

(*f*) *Causes of Strikes.* Frequent causes of strikes in the United States have been disagreements between employers and employees over wages and hours of labor. In recent years other considerations have also given rise to strikes. Recognition of the union as the sole bargaining agent for all workers in a plant has become a major cause of industrial disputes. Strikes have arisen also over such matters as the discharge of employees, overtime pay, working conditions, and sympathy with workers striking in some other plant.

(*g*) *Results of Strikes.* Although it is generally admitted that labor organizations have the right to strike, strikes are unfortunate because of their effects, not only upon the employer and the employees, but also upon the welfare of the public at large. In the opening section of this chapter, attention was directed to the serious social consequences of industrial conflicts. Undoubtedly many strikes could be avoided through a closer co-operation between capital and labor and by a more sympathetic understanding of each other's problems.

It is not so much the direct effect of strikes that is unfortunate. It is not the loss of wages that is perhaps the most serious result of strikes, nor even the destruction of property and the loss of business to the employer, as it is the indirect results: the increase in poverty, ill-health, disease, and crime; the growth of bitterness in industrial relations; and the widening of the gulf between employer and employee.

27. Boycotts. The boycott is an attempt on the part of labor unions to force an employer to agree to their demands by refusing to buy his goods if he fails to yield. Union members not only refuse to buy his goods but also influence their sympathizers to *boycott* them.

Sometimes labor organizations will try still further to embarrass a boycotted employer by boycotting firms which have dealings with him. This is done in order to cut off the supply of raw materials or other supplies needed or furnished by the boycotted employer.

H. ORGANIZATIONS AND METHODS OF EMPLOYERS

28. Employers' Associations. With the growth of industrialization in the United States and the development of labor organizations, employers, like wage earners, realized the advantages of collective action. Consequently employers' organizations of various kinds began to be formed.

As a rule, employers' associations are not in favor of collective bargaining by organized labor. They have been forced to accept it, however, by both fact and law. Nevertheless, they are opposed to such policies as those of the closed shop and the closed union, and to such practices as restriction of output, strikes, and boycotts. Employers favor company unions instead of labor unions.

The funds of these organizations are often used to aid employers who are in difficulties because of strikes, boycotts, or other labor troubles. Among the weapons which have been used by employers' organizations against organized labor are the injunction, "yellow-dog" contracts, black lists, and white lists.

29. Injunctions in Labor Disputes. (*a*) *Nature of Injunction.* The injunction is a legal instrument, issued by the courts for the purpose of restraining an individual or group of individuals from engaging in, or persisting in, some course of action which will work injury to persons or property. Although the use of the injunction is not confined solely to labor questions, nevertheless it has come into prominence because of its frequent use by employers in industrial conflicts.

(*b*) *Use and Abuse of Injunctions.* When a strike or a boycott takes place, the employer may feel that he is entitled to court protection. The strikers may be carrying on, or may intend to carry on, some action which will be injurious to the interests of their employer. The employer appeals to the judge who has the proper jurisdiction and presents evidence to show that his plea for protection is warranted. If the judge considers the evidence sufficient, he issues the injunction. If the injunction is disobeyed by the employees or their sympathizers, they may be tried for contempt of court without benefit of trial by jury. At times the courts have issued blanket injunctions against workers. Labor unions have protested vigorously against this abuse of the injunction in labor disputes.

30. "Yellow-Dog" Contracts. In order to exclude union men from their organizations and to prevent the unionization of their labor force, some employers resorted to the use of an agreement which became known as a *''yellow-dog'' contract.* When a worker obtained employment, he promised his employer in writing that he would not join a labor organization.

Labor organizations considered the ''yellow-dog'' contract an unwarranted interference with the principle of collective bargaining and the right of wage earners to organize themselves into unions. Such a contract gave the employer absolute control over his employees and practically destroyed the bargaining power of the workers who signed such contracts. Consequently, ''yellow-dog'' contracts have been forbidden by laws guaranteeing to workers the right of collective bargaining and the privilege of joining unions.

31. Black Lists and White Lists. A weapon of which employers make use at times is the compilation of lists of workers who for some reason have become objectionable to them. These lists, called *black lists,* are used in order to prevent the employment of these objectionable workers whose names have been recorded. They are circulated among different employers, thereby making it likely that a worker whose name appears on the black list will find the doors of other employers closed against him. Several states have passed laws against the use of the black list by employers. These laws, however, have, for the most part, been declared unconstitutional.

The *white list* contains the names of those workers who have given loyal and efficient service and who have been co-operative in their attitude toward their employers. Names on the white list are generally those of employees not belonging to unions.

I. Methods for the Prevention or Settlement of Industrial Conflicts

32. Need for Peaceful Settlement of Industrial Disputes. Individuals, industries, and communities depend on one another to such an extent that an industrial tie-up in one locality or industry has consequences which affect economic conditions in areas far removed from the center of the disorder. The public has become increasingly aware of the fact that the consumer pays a large share of the costs of industrial conflicts, not only in the inconvenience brought about by a stoppage of production, but also in the payment of higher prices for goods.

The increased interest of the public has been reflected in efforts made to bring about the peaceful settlement of industrial conflicts or, better still, to prevent them. Among the methods used in settling labor disputes are trade agreements, mediation, arbitration, and compulsory investigation.

33. Trade Agreements. The trade agreement is a compact between employer and workers which sets forth provisions that have been agreed upon concerning wages, hours of labor, working conditions, and other matters affecting the interests of both employer and workers.

The employer and the representatives of labor meet in conference and carry on negotiations. If satisfactory terms can be agreed upon, a trade agreement is drawn up and signed by the employer and the representatives of the workers. While this compact is not legally binding, there is a moral obligation for both parties to abide by the terms of the agreement until another conference is held. Trade agreements are common in coal mining, in the building trades, in the manufacture of clothing, and in the railroad industry.

34. Mediation. Sometimes peaceful negotiations between the employer and his workers fail. Each side becomes stubborn and refuses to yield. This is a critical time in the relations between employer and workers because bitterness and anger may arise and result in industrial conflict. At this point, both the employer and workers may ask that the dispute be settled through a method known as mediation. An outsider, or mediator, is brought into the negotiations; he attempts to bring the opposing groups to an agreement. In some cases the government may force both parties to accept mediation as a way out of the difficulty. A number of states have appointed boards or commissions who may offer their services as mediators.

35. Voluntary Arbitration. If mediation fails, both sides may agree to submit the matter in dispute to a commission or board of arbitration. The board hears the evidence presented by both parties and makes its own investigation. After due deliberation the board makes an award.

Many state governments have appointed arbitration boards. In general, these boards have been composed of representatives of the public at large, representatives of the workers, and representatives of the employers.

36. Compulsory Arbitration. Compulsory arbitration is a method of settling industrial disputes by which the state compels the conflicting parties to arbitrate their differences, and then to abide by the award of the arbitration board.

Compulsory arbitration has not been received enthusiastically throughout the United States, either by employers or by workers. Organized labor has especially objected to its use, regarding it as a method of weakening collective bargaining. Since compulsory arbitration would prohibit strikes, organized labor would be deprived of one of its strongest weapons.

Compulsory arbitration was first tried in New Zealand in 1896. In 1920, the state of Kansas provided for the compulsory arbitration of disputes in certain vital industries, such as transportation, coal mining, the production of food and clothing, and public utilities. The Kansas Court of Industrial Relations was established for the purpose of enforcing compulsory arbitration. When this Court attempted to compel employees in the meat-packing industry to accept wages fixed by the Court, the case was taken to the United States Supreme Court. The Supreme Court declared the action of the Kansas Industrial Relations Court unconstitutional. As it did not meet with any substantial measure of success, compulsory arbitration was later abolished.

37. Compulsory Investigation. Compulsory investigation, as a method of settling industrial disputes in vital industries, was adopted in Canada with the passage of the Canadian Industrial Disputes Act in 1907. Like compulsory arbitration, compulsory investigation has been little used in the United States.

When this form of industrial settlement is employed, both sides must submit to an investigation. In some cases they are not permitted to make use of lockouts and strikes or to change wages and basic conditions of employment until after the investigation is completed. The results of the investigation are published and public opinion does the rest. Compulsory investigation has a tendency to prevent hasty action by giving both sides time for reflection while the investigation is taking place. It also encourages fact finding instead of fault finding.

38. Federal Legislation and Collective Bargaining. (*a*) *National Industrial Recovery Act.* This law, passed by the Roosevelt administration in 1933, was noteworthy for the following provision: "That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from interference, restraint, or coercion of employers . . ."

The National Industrial Recovery Act gave an impetus not only to the growth of membership in labor organizations but also led to the growth of company unions. The Act was declared unconstitutional in 1935.

(*b*) *Wagner Act and Federal Labor Relations Board.* In 1935, Congress passed the Wagner Labor-Relations Act which gave workers the legal right to join labor unions and to bargain collectively. It outlawed "yellow-dog contracts" and restricted company unions. A Federal Labor Relations Board composed of three members was created in order to handle labor disputes.

This act was vigorously opposed by many employers. Finally the legality of the act was tested before the Supreme Court of the United States; its constitutionality was upheld in a famous decision announced in 1937. This decision marked an important step in the relations between capital and labor. It has definitely established the right of collective bargaining.

(*c*) *Fair Labor Standards Act.* In 1938, the Federal Fair Labor Standards Act, known also as the Wages and Hours Law, was passed. This act sought to put a floor below which wages might not fall and a ceiling above which hours might not rise. It applied to laborers engaged in interstate commerce and to industrial workers whose materials and products passed through interstate commerce.

J. The Copartnership Ideal

39. Industrial Democracy. The development of industry, especially since the World War, has been marked by efforts to bring about greater democracy in industrial relations. There has been a tendency to give workers greater opportunities to share in the management and in the rewards of industry. The purpose of this movement is to bring capital and labor more closely together and to secure greater sympathy and understanding between these two important factors of production. The copartnership ideal in industry has expressed itself in employee representation on boards of management and in profit sharing by employees.

40. Employee Representation on Management. The movement for worker participation or employee representation gained headway when the emergency demands of the World War necessitated a close co-operation between employer and employee.

In the United States the worker-participation movement has not advanced as far as in some European countries. It differs from the European type also in receiving its impetus from the employer rather than from organized labor. Some employers found that a certain amount of employee representation not only improved human relations between management and men, but also increased industrial efficiency and decreased economic waste.

41. Profit Sharing. In the attempt to bring about greater co-operation between employers and employees, some firms have adopted the policy of profit sharing with their workers. In addition to his wages, the employee receives a share in the profits of the business. There may also be employee representation through work councils and shop committees, as well as some form of profit sharing.

Profit sharing appeared first in France in 1842. In the latter part of the nineteenth century a number of profit-sharing plans were adopted in England and in the United States. Profit sharing has come about not through the demands of the workers, but through the efforts of employers to promote a greater degree of co-operation and efficiency in the conduct of their business ventures. Labor organizations prefer to obtain high wages through collective bargaining rather than through profit sharing.

Summary. Labor and capital, two important factors of production, are often engaged in violent conflict instead of vigorous co-operation. In our interdependent society these conflicts are costly and have far-reaching effects. Industrial conflicts are injurious not only to capital and labor, but also to the welfare of society as a whole.

The Industrial Revolution produced a great change in the relations between capital and labor. With the passing of the handicraft system, workers and managers became separated into two distinct groups. The relations between them have become increasingly distant, impersonal, and, in some cases, actually hostile.

In order to offset the weakened position of the worker, as a result of the machine system of production, and to obtain the advantages of collective bargaining, wage earners began at an early date to unite themselves in labor organizations. These labor organizations have taken various forms, such as the labor union, the craft or trade union, sometimes called the horizontal union, and the industrial or vertical union.

Among the labor organizations which have attained power in this country have been the Knights of Labor, the American Federation of Labor, and the Committee for Industrial Organization, now known as the Congress of Industrial Organizations.

Early labor organizations were regarded unfavorably by the courts and by the public. Later, however, public opinion and the attitude of the courts changed.

Labor organizations have worked to promote the welfare of workers by attempting to raise wages, shorten hours of labor, improve working conditions, and secure educational and social opportunities. They have sought to attain these objectives through the closed shop, closed union, limitation of apprentices, restriction of output, union label, and fair and unfair lists. As last resorts they have used the strike and the boycott as weapons against the employers.

Employers likewise have recognized the advantages of group action. As a result, employers' organizations of various kinds have made their appearance. They have also attempted to offset the collective efforts of organized labor through the formation of company unions, the use of injunctions, the circulation of black lists and white lists, and formerly by the enforcement of ''yellow-dog'' contracts.

Many measures for the prevention and settlement of industrial conflicts have been put into operation. Among these have been the trade agreement, mediation, voluntary arbitration, compulsory arbitration, and compulsory investigation.

The National Industrial Recovery Act attempted to eliminate some of the causes of industrial conflicts and to guarantee the fundamental right of collective bargaining. The Wagner Labor-Relations Act definitely established the right of collective bargaining. The Federal Fair Labor Standards Act, known as the Wage and Hour Law, attempted to fix minimum wages and maximum hours for workers.

Since the World War, the copartnership ideal in industry has gained adherents. The purpose of this movement is to secure greater sympathy and co-operation between capital and labor. It is believed that industrial democracy can be brought about through allowing the worker an opportunity to participate in the management and in the profits of industry.

Word Study: Regimentation, negotiation; lockout, walkout; strike, "sit-down" strike, "slow-down" strike; boycott; union label; "scab"; picketing; injunction; "yellow-dog" contract; black list, white list, fair list, unfair list; profit sharing; industrial democracy, employee representation; open shop, closed shop, closed union.

Questions on the Text

1. Why is society vitally concerned about conflicts between capital and labor?

2. What was the position of the worker in the small shop system of production?

3. How did the changes produced by the Industrial Revolution influence the rise of collective bargaining and the formation of labor organizations?

4. What was the attitude of the public and the courts toward early labor organizations?

5. What are the distinguishing features of the labor union? Of the craft union? Of the industrial union?

6. What are the relative merits of the craft or horizontal union and the industrial or vertical union?

7. Describe the organization, methods, and policies of
(*a*) The Knights of Labor.
(*b*) The American Federation of Labor.
(*c*) The Industrial Workers of the World.
(*d*) The Congress of Industrial Organizations.

8. What has been the tendency of wages in the United States? What has been the tendency in hours of work?

9. What is meant by the restriction of output? Why does labor favor it? Why is it objectionable?

10. What is meant by the closed shop? The open shop?

11. What is a strike? What have been the principal causes of strikes? What is the "sit-down" strike? The "slow-down" strike?"

12. What is picketing? Why desirable? Why dangerous?

13. What is a boycott? Show its power.

14. Outline aims, types, and policies of employers' organizations.

15. What is an injunction? Why have labor organizations objected to the use of injunctions?

16. What is a "yellow-dog" contract? Why is it objectionable?

17. Why was the Supreme Court decision upholding the constitutionality of the Wagner Labor-Relations Act important in the history of organized labor?

18. Explain fair lists and unfair lists. Black lists and white lists.

19. What is a trade agreement? How is it made? Can it be enforced? Why or why not?

20. Compare mediation and voluntary arbitration as methods of adjusting industrial conflicts. Compare compulsory arbitration and compulsory investigation as methods of adjusting industrial conflicts.

21. Discuss the efforts that have been made to bring about industrial democracy through workers' councils and profit sharing.

Application and Interpretation

1. Would a strike in the automobile industry, the coal industry, the textile industry, or the steel industry, influence the welfare of your community in any way? Explain your answer.

2. Have individuals the right to strike? Have individuals who wish to do so a right to work without being molested by strikers? Is a sit-down strike ever justifiable?

3. Are boycotts justifiable in your opinion? Compare their use with that of the union label.

4. Why do strikes occur with greater frequency during the recovery stage of the business cycle than during depressions?

5. What provisions has your state made for preventing or adjusting industrial conflicts?

Suggested Activities

I. Prepare talks on the following topics:

1. American Federation of Labor and Congress of Industrial Organizations.

2. Influence of the Industrial Revolution on labor organizations and industrial conflicts.

3. Wagner Labor-Relations Act.
4. Methods for promoting industrial peace.
5. The Federal Fair Labor Standards Act.

II. If you can secure the necessary information draw the following charts:

1. A line graph to show the increase and decrease of strikes over a period of years.
2. A bar graph to compare number or proportion of workers organized in different countries, in various industries, or by different types of labor organizations.

III. Draw cartoons illustrating:

1. Differences between the labor of the handicraft worker in the small shop and that of the industrial worker in the modern factory.
2. Effects of industrial warfare.
3. Sit-down strikes.
4. Copartnership ideal in industry.
5. Collective bargaining.

IV. Prepare debates on:

1. Craft union versus industrial union.
2. Closed shop versus open shop.

V. Write an essay expressing your own views concerning the best methods of promoting industrial peace.

VI. Have a committee look up some famous strikes, noting the causes of these strikes, the methods employed in settling the strikes, and any outstanding results. Report findings to class.

COLLATERAL READINGS

ATKINS and WUBNIG—*Our Economic World;* Chap. XXV, "Organized Wage Earners."

CORBETT and COLVIN—*Modern Economics;* Unit XII, "The Workers."

ELLIOTT, MERRILL, WRIGHT—*Our Dynamic Society;* Chap. XI, "Men in Industry."

FAY and BAGLEY—*Elements of Economics;* Chap. XXIV, "The Labor Problem."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XXI, "The Problems of Labor."

HART—*Visualized Problems of American Democracy;* Chap. X, "Organized Labor."

JANZEN and STEPHENSON—*Everyday Economics;* Chap. XXXI, "The Organized Labor Movement."

Ross—*Civic Sociology;* Chap. XXVI, "The Labor-Capital Struggle."

Towne—*Social Problems;* Chap. VII, "Labor Organizations in the United States."

Wiese and Reticker—*The Modern Worker.*

Williamson and Wesley—*Principles of Social Science;* Chap. VIII, "Problems of Labor"; Chap. XIV, "Profit Sharing and Co-operation."

Advanced Readings

Andrews—*Labor Problems and Labor Legislation.*

Beard—*A Short History of the American Labor Movement.*

Carlton—*Labor Problems.*

Catlin—*The Labor Problem.*

Estey—*The Labor Problem.*

Feldman—*Problems in Labor Relations.*

Patterson—*Social Aspects of Industry;* Part III, "Human Conservation and Labor Legislation"; Part IV, "Collective Bargaining and Labor Organizations."

President Hoover's Committee—*Recent Social Trends;* Vol. II, Chap. XVI, "Labor Groups in the Social Structure."

Slichter—*Modern Economic Society;* Chap. IX, "The Organization of Labor"; Chap. XXV, "The Labor Bargain—The Control of Work and Working Conditions."

Watkins—*Labor Problems.*

Yoder—*Labor Economics and Labor Problems.*

References

American Association for Labor Legislation—*American Labor Legislation Review.*

American Federation of Labor—*Reports.*

Congress of Industrial Organizations—*Reports.*

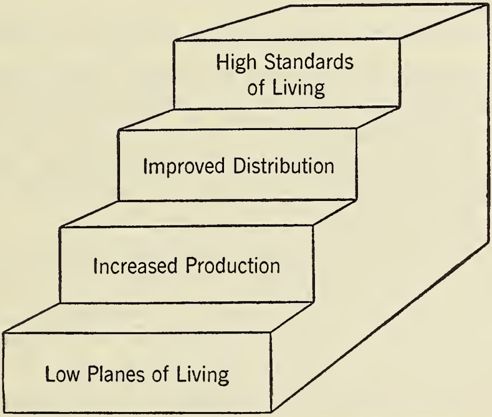
National Industrial Conference Board—*Reports* and *Special Studies.*

United States Department of Labor—*Bulletins; Monthly Labor Review.*

Various State Departments of Labor—*Bulletins* and *Reports.*

UNIT D. PROBLEMS OF CONSUMPTION

Chapter XIV. Improving Consumption and Raising Standards of Living
Chapter XV. Stimulating Thrift and Protecting Savings
Chapter XVI. Co-operatives of Various Types


High Standards of Living
Improved Distribution
Increased Production
Low Planes of Living

Steps from Low Planes of Living to High Standards of Living

CHAPTER XIV

IMPROVING CONSUMPTION AND RAISING STANDARDS OF LIVING

Objectives:

(1) To show the importance of consumption, its characteristics, and the need for intelligent consumption.

(2) To examine some consumer problems and ways of protecting the consumer.

A. Economic Significance of Consumption

1. **Fundamental Economic Activities.** Man's economic activities can be divided into two major processes: production and consumption, treated in Units A and D. Other economic activities, such as exchange and distribution, discussed in Units B and C, are incidental to these fundamental processes.

Production is the creation of desirable qualities in commodities and the performance of necessary services for the satisfaction of human wants. Consumption, on the other hand, is the economic process by which commodities and services are used in the gratification of wants.

2. **Relationship between Production and Consumption.** (*a*) *Dual Relationship.* An inescapable condition of life imposed upon man is that he must be both a producer and a consumer. He must consume to live, and he must produce in order to consume. Since the main purpose of man's productive effort, therefore, is to enable him to be a consumer, it is vitally important that he learn to consume wisely.

In our highly specialized, interdependent society, the close relationship between consumption and production may not easily be recognized. An understanding of this close relationship is necessary, however, if we are to understand the nature of the problems which confront us today, and if we are to improve our efficiency as consumers.

(*b*) *Simple and Direct Relationship.* Under a more simple economy, the relationship between consumption and production was direct and apparent. With goods produced largely for use, and not for sale, the producer was more often than not the consumer of the goods which he created. Even under the small-shop system of the handicraft stage, the relations between producer and consumer were relatively simple and direct. The consumer knew the sources of the commodities he bought, the materials that went into the goods, and the reputations of the men who made them.

(*c*) *Under Exchange and Price Mechanism.* Today the producer sells the commodities or services he creates for a price on the market. With the money income received, he buys the goods that he needs to gratify his own wants. The worker in a shoe factory, for example, specializes in the production of shoes. He contributes to the production of this one commodity, but he is a consumer of a great variety of goods created by other producers about whom he knows little or nothing. With the wages he receives for his share in the production of shoes, he buys the coal, eggs, meat, and other articles that his family will consume.

This same complexity of relationship prevails throughout the entire economic system. Only rarely does the consumer come into intimate contact with the producer. Our marketing system, as we have seen, has become exceedingly involved, for goods pass through many hands before they reach the final consumer. Again, the corporate form of business enterprise, in which ownership is divorced from management and even control, has still further complicated the productive process.

3. Expansion of Consumption with Development of Society. The wants of primitive man were very few. He was engaged in a fierce struggle to provide himself with the bare necessities for survival; food was his chief consideration. As civilization advanced, man was able to satisfy additional desires and to gratify old desires in a better manner. Our modern society is distinguished by a great variety of wants. We desire not merely necessities but also comforts and even luxuries. The more progressive the society, the more extensive and more varied are the wants. The manner in which, and the degree to which, wants are gratified may be taken as a measure of economic development.

Wants promote economic development as well as measure it. The necessity of satisfying wants has spurred man on to greater economic activity and achievement. It has forced upon him the necessity of work, both mental and physical; and work is a form of discipline that has been good for the human race. In his efforts to gratify wants, man has tilled the soil; he has explored hitherto unknown regions on the surface of the earth in search of raw materials; he has dug deep in search of treasures within the earth; and he has invented new techniques and scientific processes. Each new discovery and invention has, in turn, stimulated man to want more and to produce in greater quantity and variety. Throughout the history of mankind there has been this never-ending cycle of increased production leading to increased wants, and increased wants leading again to increased production.

B. Nature of Consumption

4. Differences in Wants. The wants of individuals, as well as those of groups, differ. These differences may be explained by variations in education, in income, in associations, in tastes and temperament, and in climate.

Some wants, known as *necessities,* must be gratified in order to live. These are the wants imposed by nature. *Comforts* are those things which, although not necessary for existence, are so desirable and add so much to the enjoyment of life that individuals make strenuous efforts to obtain them. *Luxuries* go a step beyond comforts; they include such things as expensive automobiles, jewelry, and yachts.

It is not easy to distinguish between necessities and comforts and between comforts and luxuries. That which is a luxury to a family with a moderate income and undeveloped tastes might seem only a comfort, or even a necessity, to a family enjoying a large income and a luxurious standard of living.

5. Universal Tendencies in Consumption. Despite the fact that there is wide variation in man's wants, men consume in accordance with certain well-defined tendencies, which are so universal in their application that they have been called economic laws or, more specifically, "the laws of consumption."

(*a*) *Imitation.* Human beings are imitative by nature. We copy the consuming habits of our neighbors. A little self-analysis will show that many of the things we consume have been suggested to us through seeing them in use by others. Under the pressure of modern advertising, we are more inclined to imitate than ever before. We see this illustrated in diet fads, household furnishings, amusements, and reading matter.

This imitative tendency has acquired increased importance with improved facilities for communication. Today, through magazines, radios, moving pictures, and travel, the individual comes in contact with standards of life that otherwise would have been unknown to him. The motion picture and the automobile have been the means of creating new tastes and desires in millions of people.

(*b*) *Variety.* Another general tendency revealed by man's consuming habits is the desire for variety in the goods that he consumes. Life would be dull and monotonous if the consumer were not offered a wide range of goods from which to make his selections. The effort to satisfy this tendency toward variety in consumption has both a desirable and an undesirable effect on productive activity. In providing variety, production is promoted on a vast scale. The unfortunate aspect of the consumer's desire for variety is seen when wants change so quickly that entrepreneurs cannot adjust their plants fast enough to meet the new desires. The desire for a

Acme Newspictures, Inc.

DIMINISHING UTILITY

It seems safe to assume that these boys did not ask for pie for dinner after finishing this pie-eating contest.

certain commodity often decreases before the goods which have been produced to satisfy that desire have been consumed.

(*c*) *Diminishing Utility.* Study of consuming habits has also shown that the intensity of an individual's desire for a certain article decreases as he persists in consuming additional and identical units of it. The small boy with a pie before him has an intense desire for his first piece. The consumption of this piece gives him great satisfaction. The second piece may also afford satisfaction, but not in the same degree as did the first. It is safe to say that by the time the boy has eaten the last piece of the pie that gave him such acute pleasure at first, the mere mention of pie will produce unpleasant feelings.

This tendency of a man's desire for a commodity or service to decrease as he continues its consumption without an interval of rest is called the law of diminishing utility. Temporarily a person's desire for a commodity or service may be satiated. The law of diminishing utility, therefore, is sometimes called the *law of satiety.* It is offset by the *principle of variety* in consumption.

C. Increasing and Improving Consumption

6. Mass Consumption in the United States. The population of the United States, which embraces about 130,000,000 consumers, affords a huge market for the products of our mines, our farms, and our factories. In fact, it is our large population which has made possible mass production. Daily the people of our country consume vast quantities of economic goods of all kinds. These include breakfast foods, cosmetics, medicines, clothing, household appliances, radios, automobiles, gasoline, cigarettes, razor blades, and newspapers.

7. Economic Goods and Free Goods. Economic goods include both commodities and services. Economic commodities, as we have learned, are forms of wealth. They are material things which are want-satisfying and, at the same time, relatively scarce in proportion to the demand for them.

There are other goods, such as air and sunshine, which are useful to man, but they are not considered economic goods. Because there is an unlimited supply of them, and because we do not have to exchange labor or wealth in order to secure them, they are called free goods. Formerly, many goods which are now called economic goods were free goods. Today there are few useful things which can be obtained without exchanging something of value for them.

Services also play an important part in the want satisfaction of modern man. Services are nonmaterial, yet many of them are bought and sold just as economic commodities are bought and sold. The people of the United States make extensive use of a great variety of services. The services rendered by doctors, lawyers, teachers, salesmen, preachers, accountants, advertisers, engineers, actors, and many others play an important part in the gratification of wants. Agencies of transportation and communication also render indispensable services in our modern economy.

8. Standards of Living and Planes of Living. In a study of consumption, standards of living and planes of living are important considerations. The standard of living represents the level or scale of consumption which the family would like to enjoy. It is an ideal toward which people strive; it includes the goods which the family regards as necessary to happiness. A minimum standard of living, for example, includes those economic commodities and services which are essential to the maintenance of health and working efficiency.

The plane of living is the level of consumption which the family actually enjoys. Planes of living are always below standards of living, and sometimes even below minimum standards of decency and comfort. Low planes of living are due to both inadequate income and unwise expenditure of the income received.

9. Scarcity and Planes of Living. Scarcity has a decided effect on the market value of goods; therefore it has an important influence on the welfare of consumers. A period of scarcity means that the market price of goods becomes prohibitive for substantial portions of the population, thereby resulting in a lowered plane of living.

An abundance of commodities and services, on the other hand, results in a more extensive use of these goods, and a consequent raising of the plane of living. It makes for national prosperity, a fundamental economic ideal.

If American planes of living are to be improved, and if the war against poverty is to be won, the supply of desirable commodities and services must be increased still further. But mass production must be accompanied by mass consumption, if these commodities and services are to be disposed of in the market.

The production of more goods at lower prices will not only afford the consumer a wider choice in his selection of goods, but it will also make possible the enjoyment at a lower cost of the necessities of life: food, clothing, and shelter. This will release more of the consumer's income for the so-called higher wants: education, recreation, medical service, art, and literature. In this manner, life can be lifted to a loftier plane and the machine can be made to serve the higher needs of men.

10. Increasing Production and Consumption. Until comparatively recent times, production was the phase of economic activity which received most attention. This was due to the fact that, until modern times, man was faced with the problem of scarcity. Could we produce enough to satisfy the needs of mankind?

Today, a new question arises: Can we increase the consuming power of the population sufficiently to keep pace with the increased production? Consumption has not been able to absorb the enormous output of commodities and services made possible by invention, specialization, and technological improvement.

Consumption lags, not because the wants of the American people are satisfied, not because more is being produced than could be consumed, but because the purchasing power of a large number of consumers does not permit them to buy the things they need and want. The American people are capable of consuming a far greater quantity of goods than has ever been produced.

11. Economic Demand and Improved Distribution. Consumption depends on income as well as on economic wants. *Effective demand* may be defined as desire plus purchasing power. Purchasing power depends on the money income that consumers receive as producers of wealth. Human wants and individual desires cannot be translated into economic demands without the application of purchasing power. The problem then is not only to produce more, but also to increase the purchasing power of the consumer so that he can consume more. This makes the problem of increased consumption, as explained in the previous unit, one of improved distribution, as well as one of increased production.

The need for improved distribution is indicated by the important study of consumer incomes made by the National Resources Committee for 1935–36. The report of this committee showed that out of every 100 families, 14 had less than $500; 27, less than $750; 42, less than $1,000; and 65, less than $1500 in annual income.

12. Need for Intelligent Consumption. The problem of improving consumption is one of education, as well as one of economics. Efficient production and wise distribution are necessary, but they are not sufficient of themselves. Even when he possesses abundant purchasing power, the consumer, in many cases, does not receive adequate want satisfaction; he does not always get his money's worth. Moreover, the economic wants of many consumers are base and restricted, because their tastes are low and their enjoyments of the finer things of life are limited by their ignorance.

As we consume, so we live. Real living means not merely the satisfaction of material desires for food, clothing, and shelter, but also the gratification of higher desires for health, happiness, books, music, and art. With few exceptions, man has devoted strenuous efforts to improving himself as a producer, but his education as a consumer has been disregarded. An increase in wages is hailed with joy. It may be evidence of increased efficiency as a producer. Very little attention, however, is devoted to the manner in which these additional funds are spent.

13. **Waste in Consumption.** Millions of dollars are spent each year for patent medicines that do not cure; for cosmetics that do not beautify; for food that does not nourish; for clothing that does not give good service; and for many other commodities that do not serve well the purposes for which they were purchased. These goods do not have the usefulness claimed for them, and some of them are actually injurious. The possibility of obtaining maximum want satisfaction for the price paid has just begun to receive scientific consideration.

Recent years have brought a growing realization to the general public that consuming habits have an influence on the health, the efficiency, and the general welfare of consumers. The movement for improving consumption and for spreading complete and accurate information about goods on sale has been making steady headway.

Unwise consumption not only entails serious losses to the consumer, but it is also the underlying cause of social waste on a vast scale. Through indifference and ignorance, consumers encourage fraudulent and inefficient producers. More intelligent buying will place business upon a higher plane, reduce waste, and secure greater consumer satisfaction. The goal of improved consumption is not to consume fewer commodities but to consume more wisely.

D. Problems of Consumption

14. Why Intelligent Consumption Is Difficult. The consumer is not so free as he thinks he is. The great variety of goods which surround him on all sides has a tendency to bewilder him, and make wise selection difficult. The consumer is also subjected to strong pressure from various sources. Intensive advertising, sales campaigns, and installment selling exert a forcible influence upon him, and prescribe for him in many cases what he shall eat, drink, and wear.

The complex marketing system, the vast industrial organization, and the far-flung expanse of the market area make it difficult for the consumer to find out, even if he had the inclination to do so, the source or quality of the products he uses. Goods pass through many hands and through many processes before they reach the ultimate consumer.

The consumer, unless moved by some special urge, makes no effort to investigate the truth of advertising and the quality of goods. He also fails to compare the merits of the different commodities and services which he consumes.

Intelligent consumption is made difficult also because of the inclination of large numbers of the consuming population to imitate the consuming habits of others. To see is to want. Modern inventions have made it easy for the individual to become acquainted with the consuming habits of his neighbors and intimate associates as well as those of people in distant places. This is desirable in so far as it stimulates wants and promotes business activity. Many consumers, however, through imitation, purchase articles which do not give them adequate satisfaction.

15. Consumption in Low-Income Groups. To people with small incomes, intelligent consumption is especially important. Limited as they must be in the amount they can spend for food, clothing, shelter, and the other necessities of life, it is vitally important that they obtain full value for their expenditures if they are to maintain life on a decent plane. The welfare of people in low-income groups is particularly affected by misrepresentation, adulteration, and other forms of fraud. Choice is limited, and the lure of low prices often leads them into the purchase of cheaply made furniture, low-grade foods, and shoddy clothing.

There is always the temptation to imitate the consuming habits of people with higher incomes. Low incomes make comforts prohibitive in cost, so that when these people yield to the temptation to purchase unnecessary articles, they do it at the expense of some necessity. They are often forced to buy on credit, and pay heavy carrying charges for the privilege.

16. Advertising and the Consumer. Advertising performs an indispensable function in modern business. Through the use of newspapers, radios, magazines, billboards, and other means of advertising, consumption has received a tremendous stimulus which has assisted in moving into the possession of a vast number of consumers new products of our mines, farms, and factories.

Modern advertising has been a boon to producer and consumer alike. The consumer must remember, however, that he alone knows whether the article, even if it has all the merits claimed for it, will meet his own requirements.

Furthermore, he must not permit his attention to be diverted from the consumption of necessities to goods that will satisfy no real need. Finally, there should be good taste, as well as absolute truth, in advertisements. Unsightly billboards mar the beauty of the countryside, and lengthy commercial announcements interfere with our enjoyment of radio programs.

17. Installment Buying. The 1920's witnessed a remarkable expansion of installment buying. ''Pay as you use'' became a familiar slogan. Radios, automobiles, and household appliances are now purchased on the installment plan.

Installment buying undoubtedly has advantages. It makes available for many people commodities and services which they could not afford if they had to buy them on a cash basis. In many cases, it has induced the habit of thrift, because it requires the setting aside of a fixed sum of money at specified times.

Installment buying, however, is not without its dangers. It tempts many people to spend beyond their means. In order to pay for comforts or luxuries bought on the installment plan, some families have been obliged to sacrifice necessities. Goods bought on the installment plan often have been seized for failure to maintain payments, and consumers have lost both the articles purchased and their down payments.

18. Need of Wise Consumption. (*a*) *Foods.* Since food supplies energy for the body and has a direct bearing on the health and efficiency of the family, it is an item which looms large in the family budget. Food, therefore, demands especial care in its selection and use.

In her efforts to obtain value for her food expenditure the housewife must guard against short weight, poor quality, failure of certain foods to contain the body-building elements claimed for them, fraudulent labels, the lure of an attractive package which may not necessarily contain a quality food, and the poisonous effects of insecticides occasionally found in fruits and vegetables. Diet fads should be viewed with suspicion, because they sometimes have unfortunate effects on the health of their users.

(*b*) *Clothing.* This is another important item in the family budget. Here the purchaser is often deceived in regard to price as well as to quality. High prices are not always indicative of quality. Research investigations have shown that some high-priced garments have been inferior in quality and workmanship to garments selling at a lower price. The consumer should be wary of "mark down" sales. Goods are sometimes marked up before they are marked down, and to even greater degree.

(*c*) *Medicines and Cosmetics.* Millions of dollars are spent each year by the American people for patent medicines and cosmetics. Quack medicines exist in abundance for overweight and underweight conditions, for colds, coughs, indigestion, rheumatism, and other ills to which the human body is a prey. Some of these remedies are effective; others are positively injurious; still others are harmless but impotent. Many imaginary ills have been brought on by the methods employed in advertising some patent medicines. While some cosmetics have made life happier for thousands of users, others have caused irreparable injury.

E. Protecting and Educating the Consumer

19. Improving Consumer Efficiency through "Buymanship." The individual can do much through his own efforts to improve his efficiency as a buyer and user of commodities and services. Before making a purchase he should ask himself, "Is it necessary?" "Is it worth the price?" "Will it give satisfaction?" The answers to these questions will determine whether or not the goods will best gratify his wants.

In order to answer these questions, the prospective purchaser should investigate the truth and accuracy of advertising; he should check the claims made for commodities, and compare the record of performance made by different articles. Brands should be examined and the statements contained on labels should be checked. The consumer should patronize those merchants who have proved their honesty, and whose goods meet accepted standards of quality and workmanship. He should, whenever possible, buy from reputable manufacturers, instead of those who will undersell their competitors by cutting quality even more than they cut price.

A lack of sales resistance is fatal to the consumer. Don't be swept off your feet by exaggerated claims of advertisers, and don't be influenced unduly by attempts to "keep up with the Joneses." What gives others satisfaction may not give you satisfaction. Don't hesitate to condemn fraudulent practices. Make use of every agency provided by private organizations, and by local, state, or federal government, to protect your interests as a consumer.

20. Consumers' Co-operative Associations. Consumers' co-operative associations are organizations of consumers who have joined together to secure the benefits of united action. Consumers' co-operatives are democratic associations, organized in order to obtain for their members reduced costs of goods through the elimination of the profit motive from their enterprises and through a reduction in the number of middlemen. It is claimed that through co-operative action, consumers are in a better position to check such evils as fraudulent advertising, short weights, adulteration of food products, and unfair prices. The general features and the specific benefits of these organizations will be described in a later chapter on co-operatives.

21. Private Research Agencies. A number of private agencies have been established in the United States for the purpose of carrying on research work and spreading information of value to the consumer. The Consumers' Research, Inc., of Washington, New Jersey, analyzes the products of various industries and furnishes its members with confidential information on its findings. The Consumers' Union of the United States, Inc., makes investigations in the interests of consumers and advises its members in their purchasing. It tests and makes reports on clothing, food, household supplies, medicines, and most of the goods which the average family purchases.

Various other private organizations are also doing valuable work in assisting the consumer. Among these are the American Medical Association and the American Home Economics Association. Some of our colleges and universities through scientific research and popular education are also making contributions of value to the consumer. Good magazines check the claims of their advertisers in order to eliminate fraud; some make tests and award certificates of quality.

Better Business Bureaus, established in different localities throughout the United States, arose as the result of efforts to raise advertising standards, and to lift the ethics of business practices to a higher level. These bureaus represent the attempts of businessmen themselves to promote better business practices.

22. Work of the National Government. (*a*) *Bureau of Standards.* The Bureau of Standards in Washington, D.C., established by the United States Government in 1897, maintains scientific laboratories where materials and products of various kinds are tested. The government purchases vast quantities of goods of all sorts; the Bureau of Standards was originally established in order to test the supplies which had been submitted for government purchase. Indirectly the services of this department benefit the consuming public. Many of its findings are available to students of consumption, but the government itself has preferred not to give publicity to the results of its studies.

(*b*) *Department of Agriculture.* The Department of Agriculture in Washington renders services to the consumer through some of its bureaus. The Bureau of Home Economics attempts to promote more efficient housekeeping. It carries on research concerning foods, textiles, and household equipment, and publishes the results of its investigations in bulletins. The Bureau of Chemistry has been responsible for the elimination of some of the evils that formerly existed in the manufacture and sale of foods. The Bureau of Dairying seeks to im-

Photo from Ewing Galloway

COTTON LABORATORY IN THE DEPARTMENT OF AGRICULTURE
The world standards for American cotton are established by these technicians.

prove the quality of milk through more scientific feeding and breeding of cows. The Bureau of Animal Industry maintains a Meat Inspection Service which examines millions of animals slaughtered each year.

(*c*) *Food and Drug Administration.* The Federal Government passed the Pure Food and Drugs Act in 1906 in order to prevent the shipment in interstate commerce of foods and drugs that failed to meet certain specified standards. This act has been amended from time to time. In 1939, the general provisions of the Federal Food, Drug, and Cosmetic Act, passed in 1938, became effective. This law was enacted "to prohibit the movement in interstate commerce of adulterated and misbranded foods, drugs, devices, and cosmetics, and for other purposes." It is enforced by the Food and Drug Administration.

(*d*) *Federal Trade Commission.* The Federal Trade Commission was established in 1914 for the purpose of discovering and preventing unfair business practices carried on in violation of the Federal antitrust legislation. This commission may order concerns engaged in interstate business to refrain from certain practices which are injurious to competitors. Indirectly the consumer is aided by the work of this commission.

(*e*) *Consumers' Counsel and Guide.* The Consumers' Counsel of the Agricultural Adjustment Administration issues a Consumers' Guide which attempts to promote intelligent consumption by providing the consumer with information regarding prices, cost of distribution, and quality of various commodities.

Summary. Consumption is the process by which commodities and services are used in the gratification of wants. The wants of primitive man were simple and included only those things which were necessary for survival. As civilization has advanced, wants have increased. The number and kinds of wants have become a measure of social development. Wants have promoted economic achievement by stimulating men to great physical and mental efforts.

Men consume in accordance with certain tendencies, called laws of consumption. These tendencies include the law of imitation, the law of variety, and the law of diminishing utility.

Until comparatively recent times, consumption has been given only slight attention, in comparison with that given to production. Today, people in increasing numbers are realizing that the health, happiness, and general well-being of a country, as well as of its individual citizens, depend not only on the ability to produce efficiently, but also on the ability to consume intelligently.

The consumer is confronted with many difficulties in his efforts to obtain full value for money spent. His problem has been increased by the complexity of our systems of manufacturing and marketing. The consumer is also assailed by advertising in many forms, and finds it difficult to check the claims made by advertisers. The plight of the person of low income is especially serious if he fails to get his money's worth.

In recent years efforts have been made to educate and protect the consumer through calling his attention to the measures he can take to improve his own efficiency as a consumer, and also by setting up bureaus and laboratories where the products of industry are tested and graded.

Today, the Federal Government, some of the state governments, and private agencies of various kinds are carrying on activities which, directly or indirectly, benefit the consumer.

Word Study: Diminishing utility; free goods, economic goods; equal, equitable; adulteration; fraudulent labels; insecticides; quack medicines; sales resistance; gratify, satisfy, satiate.

QUESTIONS ON THE TEXT

1. Why was the consumer during the handicraft stage in a better position to know the quality of goods purchased than he is today?
2. How have wants influenced social development?
3. Name several tendencies in consumption. Explain each.
4. Enumerate some services that are important in the satisfaction of wants today.
5. Distinguish between standards of living and planes of living.
6. Why, in the past, has more attention been given to production than to consumption? Why has interest in consumption increased in recent times? Why is intelligent consumption difficult under modern conditions?
7. Discuss the value of advertising in promoting business activities. Why must the consumer exercise care in his use of advertising as a guide to consumption?
8. What are some of the advantages of installment buying? Some of the disadvantages?
9. What are some of the dangers the consumer must guard against in the purchase of food? Of clothing? Of medicines? How can the individual improve his efficiency as a consumer?
10. Discuss the work of private agencies in assisting the consumer.
11. What governmental agencies aid the consumer? Explain.

APPLICATION AND INTERPRETATION

1. Enumerate ten commodities used by you or your family. To what extent was the purchase of these goods influenced by advertising? By the consuming habits of your neighbors?
2. Do all the members of your family have the same wants? Do individuals in different parts of your community have the same wants? Explain and illustrate.
3. What evidence is there in your community that people imitate the consuming habits of others?
4. Enumerate some commodities that might be considered as luxuries to some consumers in the community, comforts to others, and necessities to still others.
5. What services are now used extensively in your community that were not used fifty years ago? One hundred and fifty years ago?

6. What does the term *real living* mean to you? The coined word *buymanship?*

7. Are there any private agencies in your community which protect the interest of the consumer? If so, describe their functions.

8. What measures have been taken by your state or local government to protect the interests of the consumer?

Suggested Activities

I. Prepare talks on the following topics:

1. Federal Food, Drug, and Cosmetic Act.
2. Bureau of Standards.
3. Services of the United States Department of Agriculture in educating and protecting the consumer.
4. Work of private agencies in educating and protecting the consumer.

II. Draw cartoons illustrating:

1. Relationship between producer and consumer in the handicraft stage.
2. Relationship between producer and consumer in the modern industrial system.
3. Perplexities of the modern consumer.
4. ''Keeping up with the Joneses.''

III. Collect from magazines a dozen advertisements that impress you as being effective. Note on each one the motives that have been appealed to in order to provide the desire to buy the article advertised.

IV. Write an essay on the subject ''My suggestions for promoting intelligent consumption.''

V. Have a committee of students particularly interested in chemistry secure samples of tooth pastes, cosmetics, and any similar commodities that lend themselves to analysis in the chemistry laboratory. Make analysis of these commodities and report your findings to the class.

VI. Have a group prepare a debate on the advantages *versus* the disadvantages of installment buying.

Collateral Readings

ARNOLD—*Problems in American Life;* Chap. XI, ''The Consumption of Wealth.''

BABSON—*The Folly of Installment Buying.*

Burch—*American Economic Life;* Part II, "Problems of Consumption."
Corbett and Colvin—*Modern Economics;* Unit XI, Part II, "The Bewildered Consumer."
Davis—*Money Sense;* Chap. XI, "Buying Things."
Fay and Bagley—*Elements of Economics;* Part II, "Department of Consumption."
Kallet and Schlink—*100,000,000 Guinea Pigs.*
Kinneman, Browne, Ellwood—*The American Citizen;* Chap. XI, "Protecting the Consumer."
Phillips—*Skin Deep.*
Schlink—*Eat, Drink and Be Wary.*
Smith—*Economics;* Chap. III, "Human Wants and Wealth"; Chap. IV, "Some Facts about Consumption."

ADVANCED READINGS

Atkins and others—*Economic Behavior;* Vol. II, Book IV, "The Role of the Consumers."
Chase—*The Tragedy of Waste.*
Chase and Schlink—*Your Money's Worth.*
Foreman and Ross—*The Consumer Seeks a Way.*
Harap—*The Education of the Consumer.*
Kallen—*The Decline and Rise of the Consumer.*
Nystrom—*Economic Principles of Consumption.*
Pitkin—*The Consumer, His Nature, and His Changing Habits.*
President Hoover's Committee—*Recent Social Trends;* Vol. II, Chap. XVII, "The People As Consumers."
Slichter—*Modern Economic Society;* Chap. XXII, "The Position of the Consumer."

REFERENCES

American Home Economics Association—*Bulletins* and *Reports.*
American Medical Association—*Bulletins* and *Reports.*
Better Business Bureau—*Bulletins* and *Reports.*
Consumers' Research, Inc.—*Confidential Reports.*
Consumers' Union of the United States—*Confidential National Reports.*
United States Department of Agriculture, Agricultural Adjustment Administration, Consumers' Counsel Division—*Consumers' Guide.*
  Bureau of Home Economics—*Reports.*
  Food and Drug Administration—*Reports.*

CHAPTER XV

STIMULATING THRIFT AND PROTECTING SAVINGS

Objectives:

(1) To explain the meaning and importance of thrift, and also how budgets aid the practice of thrift.

(2) To show some of the ways in which savings can profitably be employed.

A. Thrift as an Economic Ideal

1. Meaning of Thrift. Thrift may be defined as the intelligent and economical use of resources. It has a broader meaning than the one which is often associated with it. It applies not merely to the saving but also to the spending of money. It means a more intelligent management and control of finances.

Thrift is not an end in itself, but a means to an end. The thrifty individual does not withdraw himself from association with his fellow men, and cease participation in the affairs of the community; nor does he hoard money in order to gloat over his treasure as the miser does. Such a procedure defeats the very aim and purpose of thrift.

Thrift implies rather a deliberate, planned effort to live more wisely and evenly. The thrifty person saves a portion of his income in order to obtain the satisfactions that come from the knowledge that security is being safeguarded in his old age or in periods of emergency; that the education of his children is being assured; and that the home on which his heart is set will one day be his very own.

2. Importance of Thrift. Thrift has been called a virtue that amply rewards those who practice it. The lives of successful men and women in many walks of life reveal the important influence of the thrift habit as a factor in success.

Thrift helps to lessen the worry and petty vexations over money matters that beset large numbers of our people. It makes possible the accumulation of funds which can be used to advantage when business opportunities present themselves. It paves the way for financial security and independence in old age. The thrifty person is usually in a better position to meet emergencies such as illness, accidents, unemployment, and the other unforeseen hazards of life which spell disaster for the family unprepared to meet them. He can secure medical attention when necessary. Travel, recreation, education, and the other finer things of life are more readily available to the person who has practiced thrift than they are to his improvident neighbor.

Thrift also aids in the development of character. The practice of this virtue, however, is not entirely painless. It is only rarely that the good things in life are secured without some hardship. Thrift requires patience and self-denial. It is often necessary to give up some temporary pleasure in order to enjoy a more enduring satisfaction.

Thrift supplies motive and gives direction to the lives of those who practice it. One of New York's large department stores carries the slogan: ''It's smart to be thrifty.'' Thrift is, in itself, an indication of intelligence, character, and good taste.

Thrift promotes good citizenship and creates a sense of civic responsibility. The individual who acquires property, through the prudent and economical use of his income, is apt to take a keen pride in his community and an interest in the projects which it undertakes. He will participate and co-operate in the activities going on about him and will not be content to remain a spectator in the affairs of life.

3. **Cultivating Thrift Habits.** Thrift, like any other good habit, can be acquired. In order to cultivate it, we must realize the importance of thrift, have a desire to practice it, make a start, and stick to it. Some people put off doing things until a more convenient time. For these people, unfortunately, the convenient time never seems to arrive. It is wise to cultivate the habit of thrift early in life; in fact, the sooner, the better. The sooner we cultivate thrift, the more firmly fixed the habit becomes, and the easier it is to practice it. The cultivation of good habits early in life will also have a tendency to prevent the formation of bad habits.

Another reason for beginning early the habit of thrift is that money should be saved during the productive years of life. Unless a person practices thrift during the years before his earning power begins to decline, he will not have an opportunity to save money and to provide for his old age. Investigations that have been made show that out of every hundred persons reaching the age of 65 years only a small percentage are self-supporting or independent.

B. Budgets

4. **Nature of a Budget.** One of the greatest aids in the practice of thrift is the use of a budget. The budget is a planned system for spending the money income so as to obtain the maximum of want satisfaction. It is a system of controlled expenditures.

Budgets are used to advantage by individuals, by business organizations, and by governments; in fact, by any person, or group of persons, with money to spend. In this chapter, we are especially interested in the household or family budget. A later chapter will treat public finance or governmental housekeeping.

5. Advantages of Budget Keeping. The use of a budget eliminates chance and guesswork from the spending of income; it helps a family to live within its means. Pressure is brought upon the consumer from many sources to induce him to part with his money. Persons who yield to this pressure often find themselves possessed of articles which give only a fleeting satisfaction. They may have to pay for them, however, by denying themselves something upon which they place a high value.

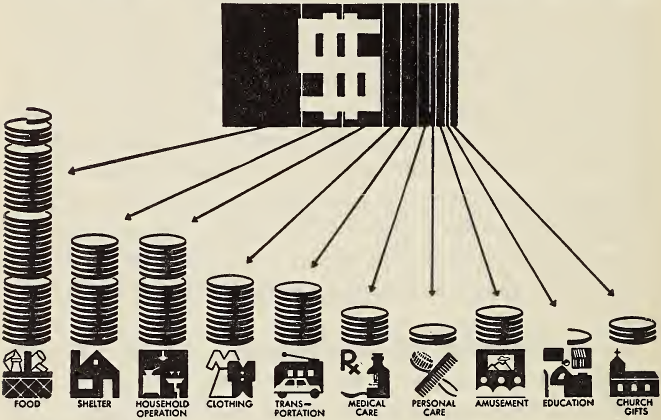
The person who is guided by a budget knows in advance what he can afford to spend without sacrificing any of the items which make for health and happiness. A planned system of spending is a valuable check on extravagant tendencies. A carefully worked out, long-term budget enables the family not only to be better prepared to meet misfortunes that may occur, but also to obtain commodities and services that are most essential to their needs.

6. Classification of Expenditures. Sample budgets covering a wide range of incomes have been worked out by banks, department stores, and other institutions. Perhaps no specimen budget will meet exactly the needs of all persons in the income group for which it is planned; nevertheless, it will offer valuable suggestions both for the making of your own budget, and for the practicing of thrift.

Every family having an income above the subsistence level, or the level which provides only the bare necessities of life, should provide for permanent savings, household expenses, personal expenses, and emergencies. The classifications of expenditures vary, but the main thing is to devise some workable scheme which is satisfactory to the keeper of the budget.

A convenient division of the income might be Savings, Food, Shelter, Clothing, Operating Expenses, and Advancement. The savings would include savings in banks, premiums on life-insurance policies, investments in stocks and bonds, and the payments on a house, or on some durable article that has been bought without immediate payment in full. Operating expenses would include light, heat, and other forms of service in the home. Advancement would cover personal expenses, education, health, church, recreation, and similar items. The terms food, shelter, and clothing are self-explanatory.

WHERE A TYPICAL FAMILY DOLLAR GOES



Each coin represents one penny

Courtesy of Public Affairs Committee, Inc.

7. Apportionment of Income. Having decided upon a convenient classification of expenditures, the individual is then faced with the questions: "How shall I apportion my income?" "How much shall I save?" "How much shall I spend for food, clothing, operating expenses, and other items?"

The way in which the income is spent will depend on a number of factors; such as the size of the income, the number of persons in the family, and the tastes, education, and social position of the family. An apportionment of the income that would meet the needs of one family will not necessarily suit another family with the same income. Before any program of spending can be decided upon, the expected income for the year from all sources must be estimated.

In planning our expenditures, we may be guided by the suggestions of experts in household finance. Studies have been made of the spending habits of families at various economic levels. It is believed that the family of four or five, earning an income of $2400 a year, might obtain maximum value under price conditions prevailing in many parts of the United States, by roughly allotting its expenditures as follows: Savings, 10 per cent; Food, 30 per cent; Shelter, 20 per cent; Clothing, 15 per cent; Operating Expenses, 10 per cent; Advancement, 15 per cent. As the income increases or decreases, the percentages spent for the different items will vary.

8. Keeping the Budget. Apportionment of income will accomplish little, if the plan determined upon is not followed. The spending of the income must be kept within the limits prescribed. It is essential, therefore, that a record be kept of expenditures. The simpler the form used, the more likely it is that the family will persist in its use. An expense account will enable the family to determine whether or not it has conformed to its spending plan. If not, some expenditure was excessive or the plan was inadequate.

C. Using and Making Savings

9. Importance of Using Savings Wisely. The idea of thrift may be extended to include not only the spending and saving of money, but also the intelligent use of savings. There is obviously a great need in America today for the exercise of care and discrimination in the use of savings. The person who has accumulated a surplus is constantly subjected to appeals from organizations and individuals who desire to use this surplus. Too often the savings of a lifetime have been lost through speculation in foolish ventures and wildcat schemes. The stock-market collapse of 1929 and the tremendous losses suffered by investors, both large and small, in the United States showed the heights to which the speculative fever may go during periods of great prosperity.

It is therefore one thing to accumulate savings; it is another to use those savings to the best possible advantage. The citizen who makes intelligent use of his savings benefits his community as well as himself. The surplus funds that thrifty individuals deposit in banks and other financial institutions add up to vast totals which are available for investment purposes. This capital can be used to promote productive activity. Greater productive activity means increased employment, more wealth, better wages, a higher standard of living, and a more prosperous community. Our schools, churches, parks, roads, hospitals, and other institutions that make for more successful living have been made possible, not only by the accumulation of funds, but also by their intelligent use.

10. Institutions and Devices for Saving. (*a*) *Savings Bank.* The savings account offers distinct advantages to the thrifty individual. While the interest rate may be low, nevertheless it is a good way to employ surplus funds; it is a safe investment. Systematic savings of small sums of money over a period of years will yield handsome returns at compound interest. Many successful business careers have been built on savings accounts. On December 31, 1938, according to the records of the Federal Reserve System, there were over $10 billion on deposit in 556 mutual savings banks in the United States.

(*b*) *Building and Loan Association.* The building and loan association also offers advantages to thrifty individuals with small sums of money to invest. It is especially helpful to persons of limited means who desire to accumulate funds for the purchase of homes. Home ownership is a worthy objective, and affords many satisfactions in life.

Shares of building and loan stock may be purchased outright or on the installment plan. Building and loan associations throughout the United States vary somewhat in their plan of operation. In general, the purchaser of building and loan stock agrees to pay a fixed sum each month. When he has completed the series of payments, the owner of free stock, that is, stock which has not been borrowed against, will receive not only the amount he has paid in, but also the accumulated profits. If the purchaser of building and loan stock has a mortgage on his home, owned by the association, he pays double dues each month until he has paid off both the principal and the interest charges. His home is then clear of the mortgage formerly held against it by the association.

The building and loan association promotes thrift because the purchaser of the shares obligates himself to make small payments at definite times. It is important that its management be in the hands of honest and competent individuals.

(*c*) *Federal Saving and Loan Association.* The ravages of the great depression brought disaster to many building and loan associations and distress to many home-owners who had invested their savings in them. To aid in home building and repairing, and in home owning or in borrowing for that purpose, Congress created the Home Owners' Loan Corporation, Federal Home Loan banks and federal saving and loan associations. Individuals may invest in and borrow from federal saving and loan associations with safety, as well as with profit, for their modest investments are protected by a federal guarantee like that given bank deposits. Federal Home Loan banks are bankers' banks; they supervise, co-ordinate, and rediscount the notes of federal saving and loan associations, just as Federal Reserve banks do for national banks.

(*d*) *Life Insurance.* From the standpoint of thrift we are particularly interested in life insurance. In 1937, according to life-insurance statistics, there were 124,157,611 life-insurance policies in force, involving a total coverage of $109,572,451,000. This clearly indicates the interest and faith of the American people in life insurance. Life insurance not only affords protection for the insured and his family, but also provides an opportunity for the accumulation of funds. Every citizen should make an effort to own a life-insurance policy.

The insurance *policy* is the written contract between the insurance company and the insured. It states the conditions under which the insurance has been issued. The *insured,* more accurately called the *assured,* is the person whose life is protected and for whom the policy is written. The *beneficiary* is the person who has been designated by the insured as the receiver of the insurance at the death of the insured. The *premium* is the cost of the insurance. This is usually paid annually, semiannually, or quarterly, but on small policies it may be paid weekly.

A *mutual insurance company* is one in which the purchaser of a policy becomes a stockholder. He is, therefore, entitled to a *dividend,* which he may deduct each year from the premium to be paid or which he may permit to accumulate and increase the value of his policy.

An *old-line company* is one which protects its obligations by the possession of full legal reserves in cash or conservative investments. Most insurance companies are now protected by full legal reserves.

(*e*) *Stocks and Bonds.* Stocks and bonds have been discussed in the chapter on marketing. The growth of modern industry has increased enormously their use as forms of investment. An examination of the daily newspaper will show the great number of stocks and bonds issued in the United States.

Stocks represent ownership, or an equity in the corporation issuing them. There are two main classes of stock: *preferred* and *common.* If profits are made, the preferred-stock holders receive specified dividends before any dividends can be paid to the common-stock holders. Preferred stock therefore is a more conservative investment than common stock in the same, or a comparable, company. The common stock, however, may earn larger dividends than the preferred stock. Since the rate of dividend is fixed on the preferred stock, the amount of profits to be divided among the preferred-stock holders is limited. When business is good, the share of profits remaining to be divided among the common-stock holders may yield higher dividends than those paid to the preferred-stock holders.

Bonds represent a form of indebtedness, for they are, in reality, long-term promissory notes. The conditions of the agreement are stated on the bond. The purchaser of a bond lends money at a specified rate of interest for a specified period of time to the concern which issues the bond. Bonds are issued not only by business concerns but also by governments. Bonds are, in general, more conservative investments than stocks. Interest must be paid to the bondholders before dividends can be declared to the stockholders. If earnings are inadequate, directors of a corporation may omit dividends to stockholders, but they cannot omit interest payments to bondholders unless the company becomes bankrupt.

11. Investors and Speculators. The investor employs his funds conservatively. He buys stocks, bonds, or real estate for the purpose of securing future income from dividends, interest, or rent. The safety of the principal is his chief concern; he is content, therefore, with a modest rate of return.

The speculator takes a greater chance with his principal. Usually he wants high profits and quick returns. In order to attain these objectives he often engages in risky ventures which depend on price fluctuations. The speculator, for example, buys stock, intending to sell it when he sees a chance to make a profit. Marginal transactions—described in Chapter VII, Marketing Commodities and Securities—are highly speculative.

12. Some Cautions to Be Observed. Hundreds of millions of dollars are lost annually in the United States through ill-advised purchases of stocks and bonds. Large sums of money are also lost through the careless purchase of real estate. The observance of a few cautions might have been effective in preventing much of this loss.

(*a*) Do not accept too readily "tips" on investments from friends. Tips may be well-meant, but ill-advised. The conceit of some individuals manifests itself in an attempt to display knowledge about things of which, as a matter of fact, they know little or nothing.

(*b*) Investigate before you purchase. Before buying stocks or bonds, consult your banker. Investigate thoroughly not only the securities but also the company which issues them.

(*c*) Diversify your investments. Do not invest all your savings in the same stocks or bonds. This advice is particularly applicable to the person with large sums to invest.

(*d*) Invest in marketable securities—securities that can readily be sold.

D. Wastes to Be Avoided in Modern Life

13. Wastes in the American Household. Americans have been criticized as the most wasteful people on earth. This charge may be unnecessarily severe. We do know, however, that thrift has not marked our use of the country's natural resources. We know also that the average household presents many evidences of waste.

Household waste is particularly noticeable in the preparation and use of food. This means not only that the income is not being stretched to its maximum capacity, but also that the family is being deprived of important health elements in the food that is not used. Health experts tell us that the most valuable food properties in fruits and vegetables are found directly beneath the skin. Much of this food material, however, finds its way into the garbage can along with quantities of other food that has not served its purpose. It has been said that a frugal European family could live on the food that is thrown away by the average American household.

Household equipment, articles of clothing, and gadgets of various sorts are purchased on impulse and later discarded. Homes are allowed to run into disrepair and neglect, which might have been avoided with a little care and slight expense. Few households could make a check of their methods without finding some forms of waste that might be eliminated.

14. Waste of Natural Resources. Our attention will be called to the waste of resources in the chapter on conservation. The American household depends in large degree on the natural resources of the country to supply its needs. This is especially true of coal, iron, lumber, and oil. If the supply of resources is exhausted or seriously diminished, the cost rises and the plane of living is lowered. The thrifty household therefore should take a particular interest in the conservation of the nation's resources, and lend its support to the conservation movement.

15. Wastes of War. Modern war causes a tremendous waste of men and materials. Wars must eventually be paid for, and the cost falls upon the taxpayer. The household therefore is directly influenced by the wastes of war. The sinking of one battleship entails a loss of millions of dollars. Through modern means of destruction, crops, buildings, bridges, and even cities can be destroyed. In many countries today, there are households groaning under the oppressive taxation levied for the purpose of paying for past, present, or future wars.

The Civil War in Spain was called the "Little World War." The German conquest of Poland in 1939 led to what has been called the "Second World War." The number of recent conflicts shows the difficulty of avoiding war; their frightful destruction of persons and possessions shows the necessity of avoiding war. The outlawing of war as a means of settling international disputes will go far toward the prevention of human and economic waste and toward the preservation of life, liberty, and property.

Summary. The consumer is faced with the closely related problems of spending his income wisely and of selecting his economic goods intelligently. The economic use of money is known as thrift; it means not only saving, but also getting the worth of one's money when purchasing. While the practice of thrift is not always easy, it amply rewards those who practice it, and should be started early in life.

The budget is a plan for spending income; it is a valuable aid in the practice of thrift. There are various budget forms. The simpler the form adopted by the family, the more likely they are to persist in its use. Some budget experts suggest a division of the income into the following main classifications: Savings, Food, Shelter, Clothing, Operating Expenses, and Advancement. The amount of the income, the number in the family, and the standard of living will determine what percentage of the income should be allotted under each main division.

The idea of thrift can be extended to include not only the spending and saving of money, but also the wise use of savings. Methods of using savings are deposit in savings banks, building and loan associations, and federal savings and loan associations, the purchase of life insurance, and investment in stocks and bonds. Each of these methods has advantages to recommend it to the thrifty individual, but he would do well to study the outstanding features of each before investing his money.

Just as prosperity is the opposite of poverty, so thrift is the opposite of waste. Prosperity and thrift are social ideals; poverty and waste are social maladjustments.

Modern life presents many evidences of wastes that can be avoided. Americans have been criticized especially for their lack of thrift. Extravagance has been marked in the running of many households and in the use of the nation's natural resources. War, the greatest of all wastes, imposes oppressive and almost intolerable burdens not only in the loss of life and property, but also in the form of taxation.

Word Study: Waste, thrift; improvident; subsistence level; budget; wildcat schemes; principal, interest, compound interest; mortgage; beneficiary; premium; preferred stock, common stock; dividends; diversify; speculation, investment.

QUESTIONS ON THE TEXT

1. What is the meaning of thrift? What are the benefits of thrift?
2. Why is it advisable to cultivate the habit of thrift early in life?
3. What is a budget? How does the use of a budget promote thrift?

4. What factors will determine the percentage of income spent for each major item on the budget?

5. Will two families who receive the same income necessarily follow the same budget plan in spending this income?

6. As the income increases what changes tend to take place in the spending habits of a family?

7. How do savings promote business activity?

8. What are some of the advantages of savings banks as depositories of surplus funds? Compare with checking accounts in commercial banks.

9. How do building and loan associations operate? Compare with and give the advantages of federal saving and loan associations.

10. What is the purpose of insurance? What are its individual and social benefits?

11. Distinguish between preferred stock and common stock. Why is preferred stock a more conservative investment than common stock in the same company?

12. What is a bond? Why are bonds a more conservative investment than stocks in the same company?

13. What are some of the cautions to be observed in investing in securities?

14. What are some wastes found in the American household? Why is waste a social maladjustment? Why is it a bad habit for individuals to form?

Application and Interpretation

1. Why is a thrifty person an asset to the community?

2. Discuss the slogan: ''It's smart to be thrifty.''

3. How do surplus funds which have been accumulated through the practice of thrift help to create more wealth in the community?

4. In what ways does the creation of this wealth help you and your family?

5. What relation is there between thrift and the building of schools, hospitals, parks, factories, and churches?

6. Do you think that every person earning an income should own a life-insurance policy? Explain your answer.

7. What kind of policy best meets the needs of your own family?

8. Do you believe that the American people have merited their

reputation for extravagance? Is there any evidence of waste in your community?

9. Why should the American householder be interested in the movement to conserve the natural resources of the country?

10. How do the wastes of war place a burden upon the families of a nation?

Suggested Activities

I. Prepare talks on the following subjects:

1. Thrift as the basis for success.
2. Stock-market crash of 1929 and its lessons.
3. Some costs of the World War.
4. Armament race and its cost to the nations.

II. Draw cartoons illustrating:

1. Advantages of practicing thrift.
2. Benefits of a savings account.

III. Prepare a budget for the spending of your allowance. Keep an account of your expenditures for a month. At the end of the month compare your expenses with the plan you made at the beginning of the month.

IV. Prepare a family budget. Decide upon an income. Rule off the spaces on a sheet of paper or cardboard necessary to make provision for the major items, including savings. Then divide the income among these items in such a way that the family will obtain the maximum of want satisfaction from the expenditure of its money. Follow this budget for a month keeping a record of expenses daily.

V. Have a committee work out a plan for investing $1000. Assume that it is the school's fund for athletic development or for the beautification of the buildings and grounds.

VI. Report in class on the usual types of life-insurance policies and the benefits of each.

VII. Secure a speaker, if possible, whose work is in the insurance or investment field.

Collateral Readings

Blodgett—*Making the Most of Your Income.*
Davis—*Money Sense.*
Donham—*Spending the Family Income.*
Fay and Bagley—*Elements of Economics;* Chap. XVI, "Thrift."

FRIEND—*Earning and Spending the Family Income.*

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XI, "Budgeting or Getting Your Money's Worth."

HUGHES—*Problems of American Democracy;* Chap. XVI, Section A, "Using Our Income Wisely."

JANZEN and STEPHENSON—*Everyday Economics;* Chap. XXI, "Risk and Insurance"; Chap. XXII, "Speculation."

KEISTER—*Our Financial System;* Chap. XIII, "Savings Banks"; Chap. XIV, "Building and Loan Associations"; Chap. XVIII, "Insurance Companies"; Chap. XXII, "Financial Institutions and the Investor."

THOMPSON—*High School Economics;* Chap. VII, "Some Practical Aspects of Consumption."

ADVANCED READINGS

ATKINS and others—*Economic Behavior;* Vol. I, Chap. XII, "Financial Enterprises."

FETTER—*Modern Economic Problems;* Chap. XI, "Institutions for Saving and Investment"; Chap. XII, "Principles of Insurance."

HUEBNER—*Life Insurance.*

MEEKER—*The Work of the Stock Exchange.*

SCHNEDLER—*How to Get Ahead Financially.*

CHAPTER XVI

CO-OPERATIVES OF VARIOUS TYPES

Objectives:

(1) To show the rise of the co-operative movement and its distinguishing features.

(2) To examine the various types of co-operative associations, their structures and functions.

A. The General Movement

1. Nature and Kinds of Co-operation. Co-operative associations constitute a distinct type of business enterprise which differs markedly from the individual enterprise, the partnership, and the corporation. The principal distinguishing feature of the co-operative association is that it is organized, not for private profit but for mutual benefit.

There are producers' co-operatives, consumers' co-operatives, marketing co-operatives, credit co-operatives, and agricultural co-operatives.

2. Rise and Spread of Co-operatives. The establishment of the Consumers' Co-operative Store in Rochdale, England, in 1844 was the first outstanding example of a successful co-operative enterprise. This store was opened by a small group of weavers with meager capital. They believed that they could effect a saving in the purchase of food and other necessities by combining in a consumers' co-operative society. They enlisted membership in their organization from the mill workers in the neighborhood.

From that small beginning there was started a movement which has attained notable success, not only in Great Britain, but also in many parts of Europe and in certain sections of the United States. It is estimated that there are more than half a million co-operative societies of various types operating today throughout the world, with a membership of over one hundred million people, and doing an annual volume of business valued at billions of dollars.

Not all types of co-operatives have fared equally well. Consumers' co-operatives have met with great success in some countries. Marketing and credit co-operatives have also met with considerable success. Producers co-operatives have encountered many difficulties, and consequently have made less progress.

3. Distinguishing Features of the Co-operative Movement. While the various types of co-operative associations differ one from another in many respects, nevertheless they have many features in common. In fact, the entire movement is based on certain fundamental principles.

The co-operative association may be defined as a business organization which attempts, through group or collective action, to secure benefits for the individual members that compose the group. The association seeks to secure these benefits through the elimination of the profit motive in industry, and consequently the elimination of the entrepreneur who is the gainer in enterprises operated for profit. Whatever profits result from the operation of a co-operative association are returned to the individual members.

The co-operative movement is also distinguished by an effort to secure democracy of management and diffusion of control in the operation of its business. This democracy in organization is achieved through a system of voting which gives equal representation to every member. Voting is not based on the number of shares of stock owned, as in the ordinary business corporation. Each member in a truly co-operative society is entitled to one vote and only one vote.

The co-operative movement is not opposed to the use of capital nor to the right of private property. Promoters of the co-operative movement recognize both as necessities in our economic system. They urge however that capital and private property be used in such a way that the resulting benefits may be distributed more widely.

The co-operative ideal represents a distinct departure from the ideal of business operated for private gain. Nevertheless, the co-operative movement is not socialistic. It does not advocate government ownership or operation. Neither is it political. It seeks to improve economic conditions, through the collective voluntary action of large numbers of individuals. Advocates of the co-operative movement advance the argument that a widespread use of the co-operative system would eliminate the necessity of undue governmental activity in business. The movement relies on education to spread the doctrine of co-operation.

B. Types of Co-operative Associations

4. Consumers' Co-operative Retail Associations. A consumers' co-operative association is a group of individuals who have associated themselves in the conduct of a business enterprise in order to secure advantages, as consumers, through collective effort.

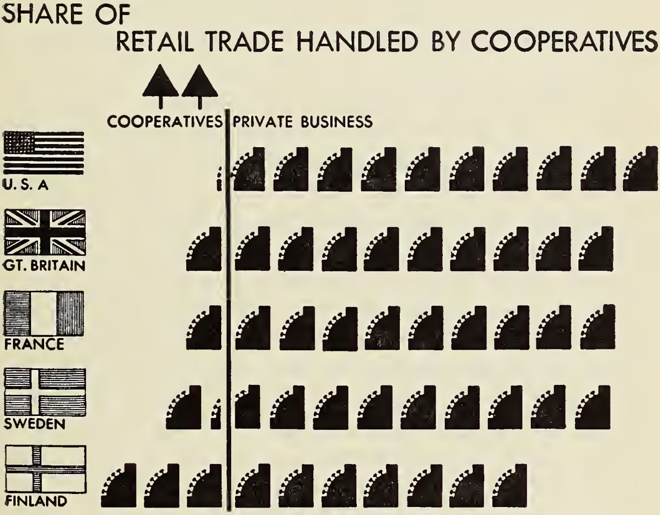
(*a*) *Fundamental Plan.* The principles that guided the weavers of Rochdale in their pioneer operation of a consumers' co-operative society have, with slight variations, served as the basis for the later consumers' co-operatives. According to the Rochdale plan, all purchases were made on a cash basis, at prices that prevailed in the local market. The savings that resulted from the elimination of the entrepreneur and the middlemen, and through whatever economies could be secured through the standardization of products, and the reduction of waste, inefficiency, and duplication of effort, were computed at regular intervals during the year. These savings were then distributed to members of the association on the basis of purchases made, each one receiving an amount that bore a direct ratio to the total amount of his purchase checks.

Shares of stock in the association could be purchased on a partial payment plan, and the profits that each member received could be applied as further payments on the stock. A fixed rate of interest was paid to the holders of the stock. Regardless of the number of shares a member held, he was entitled to only one vote in the association, and aside from the interest on his shares, would receive only the profits determined by the amount of his purchases.

(*b*) *Success in Europe.* The consumers' co-operative movement has reached its greatest development in European countries. Consumers' co-operatives have been especially successful in Great Britain, Switzerland, Finland, Denmark, Sweden, France, and Germany. Since the rise of the Nazi government, consumer co-operatives in Germany and her annexations have declined.

(*c*) *Advantages of Co-operation.* Advocates of the movement maintain that consumers' co-operatives reduce the cost of living and protect the consumer against misleading advertisements, misrepresentation, adulteration, and short weights. Through pooled interests and shared profits they claim that co-operative associations can secure great benefits to consumers.

(*d*) *Consumers' Co-operatives in the United States.* Consumers' co-operatives in the United States have lagged behind those in Great Britain and other countries of Europe. A number of reasons have been suggested for this slow development. It has been pointed out that Americans are too highly individualistic in nature to associate themselves readily in co-operative enterprises. The relatively high wages prevailing in the United States have also tended to remove from the American wage earner the necessity of resorting to co-operative buying ventures in order to obtain small savings. The American system of retail selling, with its chain stores, quantity buying, and other features, has offered the consumer in the United States quality products at cut prices. He has not been impressed therefore with the opportunity for the small savings afforded by the co-operative stores. It has also been suggested that the standardization of



Each symbol represents 10 percent of total retail trade

Courtesy of Public Affairs Committee, Inc.

products, which is one method of reducing the cost of co-operative goods, might not appeal to the American consumer, who likes variety in his purchases.

There has been an awakened interest in consumers' co-operatives in the United States during the last decade. Among the commodities and services which it is now possible to purchase in the United States through consumers' co-operative associations are gasoline, groceries, canned goods, fertilizers, insurance, oil, tools, farm machinery, and burial services.

5. Wholesale Co-operative Associations. Retail co-operative associations were followed in England by the formation of wholesale co-operatives. These societies were established for the purpose of purchasing goods in quantities for member retail co-operative stores. The profits made by the wholesale co-operatives were distributed to the retail co-operatives in proportion to the volume of their purchases. The plan, which had proved itself so successful in retail establishments, was applied with little, if any, change to wholesale organizations.

The English Co-operative Wholesale Society, the most famous of the wholesale co-operatives, was established in 1864. This association has made steady progress and has expanded the scope of its activities to include not only the purchase of goods, but also the manufacture of goods. It owns its own mines, tea plantations, and merchant ships.

Wholesale co-operative societies have also been established in the United States. Among those which have been most successful are associations composed of some of the small independent retail sellers of drugs and of groceries. The wholesale co-operative association is able to buy goods in large quantities, thereby affording the individual retail merchant a reduction in the cost of his goods. Profits are returned to the individual retail stores on the basis of their purchases.

6. Producers' Co-operatives. Producers' co-operative associations represent the efforts of workers themselves to carry on a productive enterprise through collective action. The entrepreneur is eliminated and the workers are in complete control.

It is claimed that, since the profits of such an enterprise are distributed among the workers who are members of the association, the workers are thereby encouraged to put forth their best efforts to make the business a success. Such an arrangement also reduces the chances of labor troubles, since the workers themselves provide the capital and operate the industry.

Producers' co-operative associations were first organized in France and experiments were later tried in other countries. The Knights of Labor attempted to operate producers' co-operatives in the United States, but the venture was not a success.

Producers' co-operatives have had no such record of success as that which has marked the development of consumers' co-operatives. There are a number of factors which may account for this. The workers themselves contribute the capital. It is a difficult matter, therefore, to secure sufficient funds to launch and carry on a successful enterprise in production. It is also difficult to secure from the ranks of the workers able executives and men with wide business experience. Individuals with these qualifications are vitally necessary if the business is to be operated with sufficient success to meet the competition of non-co-operative enterprises. Finally, successful producers' co-operatives have been tempted to abandon the co-operative principle and to reorganize like an ordinary business corporation, in order to enjoy the profits they have made or might make. Producers' co-operatives seem more likely to succeed in small businesses than in large industries.

7. Marketing Co-operatives. Marketing co-operatives are composed of sellers who attempt through collective effort to secure advantages in the marketing of commodities. Marketing co-operatives have developed in the United States in response to a demand for a more efficient distribution of agricultural products.

In disposing of his crops, the farmer has been at a disadvantage. Many agricultural products are perishable and must be disposed of quickly in order to avoid loss. The farmer cannot safely wait for a favorable change in prices. He may not have adequate storage facilities. Busy during the harvesting periods, the farmer may not be in a position to familiarize himself with the most advantageous markets, or even with general marketing conditions.

Co-operative marketing associations supply these deficiencies. They seek to eliminate the middleman, insofar as that is possible, and to secure efficiency and economy in distribution. The savings are distributed among the members of the organization.

One of the most noteworthy examples of co-operative marketing associations is the California Fruit Growers' Exchange. This exchange is composed of a number of smaller exchanges, and does a tremendous volume of business in the distribution of California fruit throughout the United States and Canada. The Florida Citrus Exchange, another co-operative association, also does an extensive business. There are successful co-operative marketing associations for the distribution of apples, cotton, wheat, potatoes, milk, berries, and other commodities.

In 1929, the United States Government recognized the importance of co-operative marketing associations when it attempted through the Agricultural Marketing Act to aid these associations in the distribution of farm products.

8. Farm Co-operatives. Farmers have been active not only in the use of marketing associations, but also in the organization of co-operative societies of other types. Farmers can obtain fertilizers, seeds, gasoline, tools, and other equipment through co-operative agencies. Farmers have also co-operated with one another in the use of machinery. Some forms of agricultural machinery, such as tractors, cultivators, trucks, and portable engines, are very expensive. Farmers sometimes combine their funds in buying this machinery, and then take turns in using it.

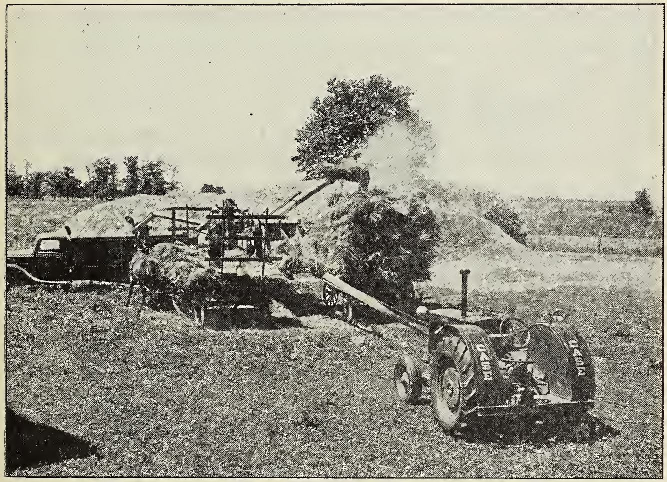


Photo from J. I. Case Company

THRESHING WHEAT

This modern steel thresher is owned by twelve farmers in a threshing ring.

The co-operative movement has been especially noteworthy among dairy farmers in the Middle West. Farm co-operatives do a large volume of business each year.

9. Co-operative Credit Associations. Co-operative credit associations represent the efforts of individuals to obtain financial advantages through collective action. There are different types of co-operative credit associations, such as mutual savings banks, credit unions, building and loan associations, federal saving and loan associations, and mutual life-insurance companies.

(*a*) *Mutual Savings Banks.* The mutual savings bank is a form of credit co-operative association, operated for the benefit of the depositors who furnish the capital for the enterprise. After all expenses have been deducted the profits from loans are distributed to the depositors. The first mutual savings bank in the United States was established in the first quarter of the nineteenth century.

Some mutual savings banks have adopted the policy of selling stock, and no longer rely solely on the funds of depositors for their capital. A fixed rate of return is paid to the stockholders, and the remaining profits go to the depositors. Stock savings banks, operated for profit, were discussed in Chapter IX.

(*b*) *Credit Unions and Loan Associations.* Credit unions are co-operative associations which afford their members an opportunity to save money, and also to borrow from the funds of the association in small amounts at a fixed rate of interest. Credit unions render a valuable service to those individuals who are without the collateral which would permit them to borrow from other financial institutions. These small loans may enable families to meet emergency expenses without being worried by small debts.

Building and loan associations, discussed in the previous chapter, are likewise co-operative associations. Shareholders subscribing the capital are members of the association. Building and loan associations encourage savings in small amounts for the purpose of buying or building homes.

Federal saving and loan associations, also discussed in the last chapter, are likewise co-operative societies for home buying, building, or repairing. They are protected by federal supervision, membership in a reserve system, and limited guarantee of investment.

(*c*) *Mutual Life Insurance Companies.* The importance of life insurance and the meaning of terms in common use were discussed in the previous chapter on thrift. Insurance companies which issue policies may be divided into two main classes: mutual insurance companies and stock insurance companies. The mutual insurance company is a co-operative association. The members of the association are the policyholders, and whatever profits above expenses of operation are made by the company are distributed among the policyholders. In a stock insurance company, on the other hand, the profits go to the stockholders. Most life-insurance companies are mutual; most fire-insurance companies are stock companies.

All insurance may be said to be on the co-operative plan. This is due to the fact that it represents group or collective action on the part of the policyholders who pool their risks and share their losses. Without group action, insurance would not be possible.

Summary. The co-operative association is a distinct type of business organization, which differs markedly from the single enterprise, the partnership, and the corporation. It represents the efforts of individuals to seek benefits through group action and the elimination of private profit. Impetus was given to the co-operative movement by the establishment in 1844 of the Rochdale Co-operative Store.

There are consumers' co-operatives, producers' co-operatives, marketing co-operatives, and credit co-operatives.

Co-operative associations have many features in common. They eliminate the entrepreneur; they secure democracy of control through permitting each member to have only one vote. The ideal of the co-operative movement marks a definite departure from the usual plan of business operated for personal gain. The movement, however, is neither socialistic nor political.

Consumers' co-operatives include both retail and wholesale associations. Consumers' co-operatives have generally followed the principles adopted by the Rochdale Co-operative Society. They distribute profits among their members according to purchases made, not according to stock owned.

Producers' co-operatives represent the efforts of workers to carry on a productive enterprise through group action. They have met with less success and permanence than consumers' co-operatives.

The co-operative movement has also been distinguished by the rise of marketing associations which have been especially valuable in the United States in the distribution of agricultural products. Farmers also co-operate in the purchase and use of expensive machinery, and in the purchase of commodities used on the farm.

Credit co-operative associations include such organizations as mutual savings banks, credit unions, building and loan associations, saving and loan associations, and mutual life-insurance companies.

Word Study: Co-operative; socialistic; standardization; consumers' co-operatives, producers' co-operatives, marketing co-operatives; citrus fruits; credit unions; collateral; mutual savings banks, mutual life-insurance companies.

Questions on the Text

1. What are the different kinds of co-operative enterprises?
2. What are the distinguishing features of the co-operative movement?
3. What is a consumers' co-operative? What were the principles of the Rochdale plan?
4. In what countries has the co-operative movement made con-

siderable progress? Why have co-operative stores developed slowly in the United States?

5. What is the function of the wholesale co-operative association? Illustrate.

6. What is a producers' co-operative association? Why is it less successful than consumers' co-operatives?

7. What is a co-operative marketing association? Give an outstanding example. How do co-operative marketing associations benefit farmers?

8. What is a credit union? What services are rendered by it?

Application and Interpretation

1. What types of co-operative enterprises are there in your community? Would a co-operative store be advantageous for consumers in your community? Why, or why not?

2. Distinguish between profit sharing in industry and the sharing of the profits by members of a co-operative association.

3. Is the profit motive entirely eliminated in the operation of co-operative stores? Explain.

4. Would the co-operative movement make for more or less governmental regulation of business? Why?

5. In your opinion would the advantages of a producers' co-operative enterprise outweigh its disadvantages? Explain.

6. In your opinion do co-operative marketing associations benefit the consumer? Explain your answer.

7. Would the credit union have advantages for any particular group in your community? Which? Why?

8. Why are all forms of insurance said to be co-operative in nature?

Suggested Activities

I. Prepare talks on the following subjects:

1. Rochdale Co-operative Store—origin and plan.

2. Features of the consumers' co-operative movement in England.

3. A description of outstanding examples of co-operative marketing associations in the United States.

4. Co-operatives in Sweden.

II. Draw cartoons illustrating:

1. Democracy of control in the co-operative association.

2. Benefits to the farmer of co-operative marketing associations.

III. Have a group prepare a debate on the co-operative store versus the chain store.

IV. Write an essay expressing your own views on:

1. Consumers' Co-operative Movement.
2. Producers' Co-operative Movement.
3. Co-operation, the Hope of the Farmer.

V. Have a committee secure a speaker, if possible, who is familiar with the co-operative movement.

Collateral Readings

BURCH—*American Economic Life;* Chap. XLV, "Experimental Programs."
FAY and BAGLEY—*Elements of Economics;* pp. 58–62 "Co-operative Organization."
HARRIS—*Co-operation the Hope of the Consumer.*
HUGHES—*Problems of American Democracy;* Chap. XVI, Part B, "Economy through Co-operation."
JOHNSEN—*Consumers' Co-operatives.*
RILEY—*Economics for Secondary Schools;* pp. 114–121, "Co-operative Business."
SMITH—*Economics;* Chap. X, "The Co-operative Enterprise."
WILLIAMSON and WESLEY—*Principles of Social Science;* pp. 150–155, "Co-operation."

Advanced Readings

CARLTON—*Labor Problems;* Chap. XXIII, "Co-operation."
CATLIN—*The Labor Problem;* Chap. XXII, "Co-operation."
ELLIOTT—*The English Co-operatives.*
FOWLER—*Consumer Co-operation in America.*
GIDE—*Consumers' Co-operative Societies.*
PATTERSON—*Social Aspects of Industry;* Chap. XIX, "The Co-operative Movement."
WATKINS—*Labor Problems;* Chap. XXII, "The Co-operative Movement and the Wage Earner."

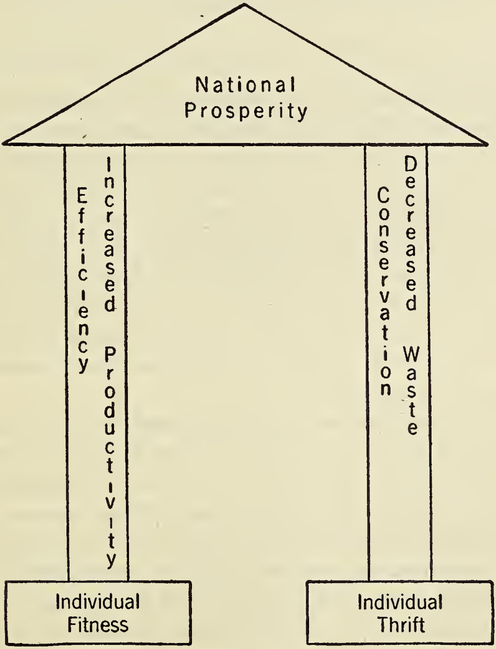
References

Co-operative League of America—*Publications.*
United States Department of Labor, Bureau of Labor Statistics—*Monthly Labor Review.*

UNIT E. PROBLEMS OF CONSERVATION

Chapter XVII. Conservation of Our Natural Resources

Chapter XVIII. Improvements in Agricultural Conditions


National Prosperity
Efficiency
Increased Productivity
Conservation
Decreased Waste
Individual Fitness
Individual Thrift

Foundations and Pillars of National Prosperity

CHAPTER XVII

CONSERVATION OF OUR NATURAL RESOURCES

Objectives:

(1) To show the importance of natural resources and the rise of the conservation movement.

(2) To explain the uses of our important resources, wastes that have taken place, and methods of conservation.

A. Value and Waste of Natural Resources

1. Influence of Natural Resources on Our National Development. The great variety and abundance of natural resources with which nature has so generously endowed the United States, have had a remarkable influence on the development of the American nation. This was stressed in Chapter II. Without extensive territory, favorable climatic conditions, fertile soil, and rich supplies of wood, coal, iron, petroleum, and other forms of natural wealth, the United States could not have attained the position of economic leadership it now holds among the nations of the world.

2. Increased Uses of Natural Resources. The tremendous growth in the population of the United States, discussed in Chapter IV, has itself created increased demands on our natural resources. Other causes which have contributed to the great inroads being made today upon all forms of our natural wealth are the modern factory system, improved standards of living, and the discovery of new uses of raw materials through scientific research.

The development of the factory system increased enormously our productive capacity; it also created a tremendous demand for raw materials and especially for sources of mechanical power such as coal, oil, and water.

The spread of education and general enlightenment has so raised the standard of living that demands are made today for comforts and luxuries undreamed of by earlier peoples. The reading habits of the family of a generation ago, for example, would have made only a slight drain on the source of their paper supply. Today, the extensive reading of newspapers, magazines, and books has made serious demands on our forests for wood pulp. Modern science and inventive genius have also found new uses for, and new products from, many raw materials which have still further reduced our natural resources.

Among the products which we obtain from coal, for example, are gas, coke, creosote, and coal tar which furnishes us with dyes, perfumes, and medicines. Derivatives of petroleum are used in the form of lubricating oils, gasoline, kerosene, and wax. Wood provides us not only with building material and furniture, but also with turpentine, wood alcohol, paper, charcoal, and cellophane. The demands for iron, the most widely used of all our metals, have also been multiplied, especially since the invention of the Bessemer, the open-hearth, and other processes of making steel.

The American people make a greater use of natural resources and depend more on mechanical power than any other nation in the world. It is not to be wondered, then, that the citizens of our country are profoundly interested in the conservation of those materials which contribute so vitally to their well-being and to the prosperity of the nation. The present age is one of steel and mechanical power. Hence the current demands for minerals and fuels.

3. **Waste of Our Natural Resources.** Despite the tre-

mendous value of our heritage in land, minerals, timber, and water power, the utilization of these natural resources has been accompanied by waste, greed, and inefficiency. That these gifts might some day be exhausted seems to have been a thought which did not seriously concern our forefathers. Consequently, the riches in the earth and on the earth were used with a reckless hand.

Photo by U.S. Forest Service

THE RESULTS OF WASTEFUL OPERATION OF TIMBERLAND

In order to make room for the homes and gardens of the settlers, the forests were not only chopped down, but, in many instances, burned down. Careless methods of lumbering, forest fires, insects, and diseases were allowed for years to take a serious toll of the nation's timberlands. The productivity of extensive areas of soil was seriously reduced through unscientific methods of farming and through soil erosion.

The use of coal, iron, and petroleum also was marked by waste and inefficiency. Large portions of the public land were disposed of carelessly and, in many cases, fraudulently. Water-power sites of enormous value found their way into the hands of private corporations. It is claimed that some of these sites have not been used to serve the best interests of the people.

Our forefathers were confronted with the task of winning a continent and of utilizing the materials they found at hand in order to provide themselves with food, clothing, and shelter. The growth of population, the westward expansion, the development of our industries, railroad systems, and farm lands required the rapid and extensive use of those materials which nature had fortunately placed before an energetic people. We cannot blame them too severely for the depletion of these resources; but the people of the future will not excuse the citizens of today for further wanton neglect of nature's gifts. America, let us hope, has matured in wisdom as it has grown in size and population.

B. Nature of Conservation

4. Meaning of Conservation. Conservation, as the name implies, means the wise use of our resources. In the economic interpretation of conservation, stress is placed not upon leaving these riches untouched, but rather upon using them thriftily, making every effort to prevent waste and inefficiency. Not to make use of our natural gifts would seriously disturb our present standard of living, and, in fact, our entire economic and social organization. In short, what thrift is to an individual, conservation is to a nation.

5. Conservation and Efficiency. Conservation and efficiency are supplementary economic ideals. Conservation implies minimum waste, and efficiency implies maximum production. They have been called the right arm and the left arm of economic life. The practice of conservation in consumption and of efficiency in production increases prosperity and decreases poverty, thus raising standards of living.

C. History of Conservation

6. Exhaustion and Protection of Public Lands. At one time in its history, the United States was in possession of a vast public domain. Gradually a large part of this domain became lost to the government. Large areas of the most productive agricultural lands, as well as many of the richest mineral lands and water-power sites, passed into private ownership.

Some public lands were given to railroads in order to encourage their development. Other portions were given to state governments for educational purposes. Extensive areas were given to settlers and homesteaders. Large blocks of land intended for homesteaders, however, found their way into the hands of large corporations.

After the greater portion of the public domain had been disposed of, the government became aroused to the necessity of safeguarding the land which remained. Efforts were made not only to recover land that had been fraudulently obtained from the government, but also to conserve the natural resources in the lands that still remained under government control.

In 1891, the Federal Government began to withdraw from public sale lands which contained timber resources. The policy of withdrawing public lands from sale continued through succeeding administrations. During the administration of Theodore Roosevelt the government withdrew not only vast forest areas but also millions of acres of mineral lands. Later, the government adopted the policy of leasing rights to minerals on a royalty basis.

The government retains control of our public lands through the Department of the Interior.

7. Conservation Movement. The waste of our natural resources continued for many years unchecked. Most of our people were either unaware of the destruction that was taking place or were indifferent to it. Toward the latter part of the nineteenth century, however, scientists and other farsighted individuals began to raise their voices in protest against the reckless waste of our natural treasures. The alarm spread and the attention of the American people was directed to the urgent necessity of conserving those resources that remained, if the future prosperity of the country were not to be placed in danger.

8. Conservation Commission. The conservation sentiment developed into a definite policy under the leadership of Theodore Roosevelt. In 1908, a conservation conference, to which the governors of the states were invited, was held at the White House. At this conference, a Conservation Commission was established and Gifford Pinchot was made chairman. The Commission comprised four groups, each group to study one of the four resources: minerals, waters, forests, and soils. It was from this meeting that the conservation movement received its impetus, and became not merely a policy, but an ideal of the American people.

States, cities, and civic organizations throughout the country displayed a keen interest in the movement. A number of the states appointed conservation commissions of their own, and began to withdraw state land from public sale for the establishment of state forests.

D. Forest Conservation

9. Dependence on Forests. Since the days of our primitive ancestors, forests have contributed substantially to the satisfaction of human wants. Today, the forest provides us with many of the things we use. It provides wood for our homes and furniture, railroad ties, and telephone poles, wood pulp for the making of paper, parts for automobiles and airplanes, and material for boxes, barrels, and crates.

In addition to supplying us with such products as turpentine, wood alcohol, rayon, acetic acid, and charcoal, the forest furnishes us with materials used in the tanning industry and in the compounding of medicines. The forests also perform a valuable service in holding soil in place. They check erosion and prevent floods. They serve as important grazing areas for livestock and as homes for birds, game, and other wild life.

10. Waste of Our Forest Supplies. When our forefathers began the colonization of America, a large part of the United States was covered with virgin forests. These forests were composed of trees of many varieties which grew to magnificent proportions. They contained many valuable timber species. The white pine was especially valuable and extensively used in building homes for the early settlers.

At the beginning of the colonial period, our total forest area was said to have been not far from one billion acres. Since that time, however, our wooded areas have been used up until today it is estimated that there remain only approximately a half billion acres.

Although much of the wood used has served to satisfy legitimate economic wants of the American people, on the other hand much valuable timber has been wasted through inefficient methods of lumbering. Trees were chopped down carelessly and saplings were often destroyed before they had time to bear seed and bring about natural reproduction of the forest. Frequently high stumps were left which contained valuable timber. These exposed stumps were subject to rot and served as lodging places for insects. The branches were often strewn upon the ground where they dried, thus adding to the combustible material in the forests and increasing the fire hazards. Through haste and carelessness in felling trees, many valuable specimens were destroyed.

Serious losses in our timber supplies have been due to careless methods of obtaining turpentine, to the work of insects and to the spread of plant diseases. The chestnut tree has virtually disappeared from American forests as a result of the ravages of a disease known as "the chestnut blight"; a hardy variety of chestnut, however, has recently developed.

Perhaps the greatest of all losses of timber resources have been caused by fires. Forest fires not only destroy valuable trees, but they also burn up the humus, or rich vegetable matter in the topsoil. They are, therefore, powerful agents in preparing the land for erosion.

Wind storms also cause serious losses. A hurricane of terrific force, for example, swept over portions of New England in September, 1938, and uprooted a large number of magnificent trees.

The loss of our forests was the first waste of natural resources to make a vigorous impression upon the minds of the American people, and the conservation movement was prompted by the growing resentment against the destruction of forest areas.

11. National Forests. Most of the forest areas passed into the hands of private owners long before conservation became a settled policy of our government. In 1891, however, in order to safeguard our remaining timberlands, Congress withdrew 2,500,000 acres of land for forest reserves. Since that time, the Federal Government has steadily increased this acreage. A recent bulletin of the United States Forest Service reports that the United States now owns about 160 national forests with a total net area of approximately 175 million acres.

Our great national forests serve not only as means of protecting vast stores of timber, but also as scientific laboratories for experimentation and research. Interesting studies are carried on to discover methods of reproducing, cutting, and thinning trees, of adapting different species to specific climatic and soil conditions, of controlling insects and diseases, and of preventing forest fires.

12. Forest Service. In 1901, the Bureau of Forestry was established in the Department of Agriculture. In 1905, this bureau became the Forest Service of the United States, with Gifford Pinchot the first Forester of this Forest Service.

In promoting forest conservation, the Forest Service carries on many varied and useful activities. It supervises the cutting and selling of timber from our national forests. It also undertakes the planting of young trees and the reforesting of denuded areas. It seeks to prevent forest fires through the employment of fire patrols, lookout stations, telephone systems, radios, and airplanes. It wages a relentless fight against insects and diseases. It also regulates the grazing of animals on public lands. If animals are allowed to graze unchecked for long periods of time, the soil loses its covering of vegetable material and there is danger of erosion.

The Forest Service has made efforts to conserve our water supplies. Dams have been built, headwaters protected, and storage places provided for water supplies. The wild life of the forests has been protected, and the stocks of fish and game have been saved and increased. The Forest Service also co-operates with the state governments in combating forest fires and in carrying on forestry projects.

13. State Forests. State governments today also own millions of acres of forest lands. Among the states having the largest acreage of forest lands are New York, Pennsylvania, Minnesota, Michigan, Montana, Massachusetts, and Wisconsin.

State governments likewise combat fires, insects, and diseases. They also provide for future timber supplies through the reforestation of denuded areas. Many states, as well as the National Government, have excellent forest services. Some have made provision for the training of foresters. Some maintain forest schools and experimental stations.

14. National and State Parks. Large areas of forest lands have been set aside by the National Government to serve as national parks. Among the most famous of these are Yellowstone, the Grand Canyon, Mount Rainier, Yosemite, Zion, and Bryce Canyon.

Certain sections of their forests have likewise been set aside by states to be used as parks and recreation centers. The increased leisure of modern times and the transportation facilities provided by the automobile and improved roads have added to the importance of the recreational feature of our forests. Some states have made efforts to increase the recreational facilities of their forests by providing camp sites, as well as parks and recreational centers.

15. Civilian Conservation Corps. In 1933, Congress created a conservation organization called the Civilian Conservation Corps. This corps was established by the Roosevelt Administration with a twofold purpose: (1) to provide work for thousands of young men who were without employment and whose families were in need of aid, and (2) to assist in the conservation of forest areas throughout the United States. Camps were established on forest lands, and employment was provided for more than a million men.

The Civilian Conservation Corps has carried on many important activities in its work of conserving our American forests. It has assisted in reforesting large areas; it has combated insects and plant diseases; it has built trails, telephone lines, roads, bridges, and lookout towers; and it has also assisted in the prevention of soil erosion.

In addition to its economic work in conserving the natural resources of the United States, the C.C.C. has done a notable social service in encouraging a large number of the nation's youth. These young men have benefited physically, mentally, and spiritually. Their families have been helped financially, and the benefits to society have been immeasurable.

Photo by U.S. Forest Service

REFORESTATION WORK OF THE CIVILIAN CONSERVATION CORPS
The young man is planting a ponderosa pine seedling.

E. CONSERVATION OF MINERALS

16. Dependence on Minerals. The growth of the factory system and the widespread use of machinery have made us increasingly dependent on our supply of minerals. In fact, iron, coal, and, in more recent years, petroleum have become indispensable to modern industry. Coal supplies the greater part of the mechanical energy used to operate our machines; iron is the basic metal in the production of steel, and steel is essential in our modern industrial economy; petroleum provides motive power and lubricants for automobiles, airplanes, and many of our great ocean liners and battleships. Minerals have not only been instrumental in producing our modern economic system, but they have also become the basis of it.

17. Coal. (*a*) *Geological Origin.* Coal was formed ages ago, when the atmospheric conditions of the earth were favorable to the growth of luxuriant vegetation. Immense forests grew in swampy regions. As the trees fell, they became submerged beneath the water. Over a period of thousands of years a large amount of vegetable matter was pressed firmly together. Gradually this material became covered with soil and mud. Cut off from air and subjected for long periods of time to intense pressure, the layers of vegetation hardened into a rock-like mass, which we know as coal.

(*b*) *Uses of Coal.* The larger proportion of the coal which is produced annually is used as fuel for the generation of steam and electric power. Coal is also used for domestic heating purposes and for the production of coke and by-products. Coal tar, one of these by-products, was formerly thrown away as waste. Today it is used by our chemists in the manufacture of dyes, perfumes, medicines, preservatives, and ammonia.

(*c*) *Kinds and Supplies.* While coal is found in many parts of the world, the largest supply and the best grades are found in the United States. There are various kinds of coal. Of these, anthracite and bituminous are the most important. Anthracite is a hard coal which burns with little or no flame; it is used extensively for domestic heating purposes. Bituminous coal or "soft coal," as it is sometimes called, burns with more flame and is used for industrial purposes. Anthracite is found almost exclusively in Pennsylvania, but bituminous coal is distributed over a wide area. Our most important soft coal areas are found in Illinois, Kentucky, Pennsylvania, and West Virginia.

(*d*) *Wastes of Coal.* Much waste has occurred in the past in the consumption as well as in the production of coal.

Among the most flagrant causes of waste in the mining of coal has been the tendency to take out of the ground only the best grades of coal, and of these, only those deposits which can be obtained with the least effort. Large amounts of coal have been left in the ground in the form of pillars to support roofs of mines. Much valuable coal has also been thrown away with the rock and earth that is dug out of the mine.

Because of inefficient methods of firing, serious losses have taken place in converting coal into heat and power. In recent years, however, mechanical improvements have considerably reduced these losses.

The early methods of manufacturing coke permitted the waste of valuable substances, such as gas and coal tar, which today are used in the manufacture of numerous and valuable articles. Newer methods have checked the loss of these by-products.

(*e*) *Depletion of Good Coal Reserves.* Although the length of time our coal reserves will last cannot be predicted with any accuracy, nevertheless geologists, basing their estimates on the known sources of coal and the present rate of depletion, tell us that the point of exhaustion will not be reached for several thousand years. This long period of time before our coal reserves will be depleted, however, should not lull us into a false sense of security, as the estimate covers all kinds and all grades of coal.

Some of the better grades of coal are being used up rapidly. It has been estimated that almost one fourth of our anthracite coal has been exhausted, and that at the present rate of use, the remainder will last only a few hundred years.

It is a matter of vital importance, therefore, that our coal supply should be conserved. In order to do this, all possible measures should be taken to mine, use, and market coal more efficiently.

(*f*) *Methods of Conservation.* A start has already been made in the conservation of our coal resources. Steps have been taken to eliminate wastes in the mining of coal and in the methods of using it as a fuel and a generator of power.

The transportation of coal is another field in which conservation measures need to be applied. It has been pointed out that large quantities of this valuable mineral are burned up in transporting to distant markets coal that might be used nearer to its source for the generation of electric power. Electricity can be transmitted by wire more cheaply and efficiently than coal can be transported by train or barge.

A greater utilization of water-power resources has also been recommended as a means of conserving coal.

(*g*) *Governmental Policies.* With the rise of the conservation movement in the United States, the Federal Government became strongly aware of the necessity of protecting the supply of coal and other minerals. For a long period in our history, public lands were disposed of carelessly, and large quantities of coal and other minerals found their way into the hands of private owners. In 1920, the United States abandoned the policy of selling lands in which coal or other mineral deposits have been found. These lands are now leased on a royalty basis;

they remain in the possession of, and under the supervision of, the government.

18. Iron. (*a*) *Uses.* For thousands of years iron has been used by mankind for a variety of purposes. Since the Industrial Revolution it has been used in larger quantities and in a greater variety of ways than ever before. It possesses those qualities which make it especially adapted to meet the needs of an industrial society.

The Bessemer, open-hearth, and other methods of making steel have still further increased the utility of iron, and, in fact, have made it the basic metal of our modern industrial civilization. Steel is used in automobiles, skyscrapers, factories, machinery, locomotives, ships, bridges, armaments, agricultural implements, office furniture and equipment, pipes, tools, rails, railroad cars, knives, and surgical instruments. Nations possessing large quantities of iron ore have a tremendous advantage over those lacking this valuable mineral, which is essential in the fabrication of steel products.

(*b*) *Sources and Supplies.* The largest supplies and the best grades of iron ore are found in the United States. Our most valuable fields are located in the Lake Superior region. Other important deposits of iron ore are found in England, France, Germany, Belgium, Luxembourg, Russia, China, and Brazil.

(*c*) *Wastes of Iron.* Many of the wastes that characterized the mining of coal have also been found in the mining of iron ore. The best and most easily accessible deposits have been taken from the ground, while the poorer grades have been left. The pillars of iron ore, which are used to support the roofs of mines, have often been unnecessarily large, and allowed to remain standing after the completion of the mining operations.

Unlike coal and petroleum, iron can be used over and over again. In recent years, scrap iron has been utilized to a large extent. In the past, however, there was much waste of iron because of the failure to make greater use of discarded material. Some iron is lost also through the effects of corrosion or rusting.

(*d*) *Conservation of Iron.* While we possess large deposits of iron ore, and an immediate shortage, therefore, does not appear probable, nevertheless we know that the supply of good iron ore is limited. We also know that we have been using up our best and most accessible deposits of this metal very rapidly. When these are exhausted, the difficulty and cost of producing iron will increase.

Some of the large operators in the Lake Superior region have contributed to the conservation of iron by improving the efficiency of their mining methods. In order still further to encourage the careful management of our iron reserves, conservationists have recommended the more extensive utilization of scrap iron. A wider use of stone, concrete, and other materials, which can be substituted for iron, would also contribute to its conservation.

19. Petroleum. (*a*) *Uses.* Although petroleum has come into extensive use in comparatively recent times, it has had a remarkable influence on the economic and social life of the American people. Important derivatives are obtained from petroleum which supply many wants of our highly mechanized society.

After the discovery of oil in Pennsylvania, in 1859, petroleum came into extensive use. Kerosene was originally the main product and gasoline was a dangerous and useless by-product. Today, gasoline is the main product of petroleum.

The invention of the gasoline engine, the widespread use of the automobile, and the growing importance of the airplane have created an enormous demand for gasoline and other petroleum derivatives. These are used as the source of power in gasoline engines, as lubricants for machinery, and as a fuel for locomotives, ships, and domestic heating. Among the by-products obtained from petroleum are disinfectants, paraffin, candles, cleaning fluids, solvents, and fertilizers.

(*b*) *Sources.* Prehistoric forests gave us our coal, but prehistoric fish and animal remains gave us our present supplies of petroleum.

Not only are there large supplies of petroleum in the United States, but also large petroleum reserves in other parts of the world are owned and operated by American companies. The most important oil reserves, outside the United States, are found in Russia, Venezuela, Rumania, Iran, the Dutch East Indies, and Mexico. In the United States, the most important oil-fields are located in California, Texas, Oklahoma, Kansas, Louisiana, and Pennsylvania.

(*c*) *Wastes of Petroleum.* Unchecked competition and lack of co-operation among producers of petroleum have led to overproduction on an enormous scale with consequent loss of great quantities of this valuable mineral resource. Oil pools below the surface of the earth extend beneath a large number of land holdings on the surface. When oil is found, wells are sunk immediately, often very close to one another. Each operator attempts to obtain the oil before the neighboring wells can drain it. This competitive practice has resulted in overproduction, lowered prices, and waste.

In addition to the indiscriminate draining of petroleum pools, inefficient methods of drilling have been responsible for irreparable losses. Even under the most efficient methods now employed, much valuable petroleum is left in the earth; however, a great deal of it is lost needlessly.

In obtaining petroleum, natural gas supplies the force which drives the oil to the surface. One of the most flagrant examples of inefficient drilling is the sinking of wells in such a way that the natural gas is allowed to escape, leaving large reserves of the oil in the earth.

Losses have also been caused by gushers, by fire, and by the flow of water into the oil pool.

(*d*) *Depletion of Petroleum Reserves.* Despite alarming predictions that have been made from time to time regarding the exhaustion of our petroleum supplies, geologists do not anticipate an immediate shortage of this mineral. The discovery of new fields in the past has postponed the depletion of the petroleum supply, and in all probability new fields will continue to be discovered. Nevertheless, the quantity of petroleum is limited, and a sudden curtailment of this supply would work a serious hardship. It is necessary therefore for us to save the supplies which are still available.

(*e*) *Conservation of Petroleum.* If petroleum is to be conserved, more efficient drilling methods must be adopted, and precautions taken to prevent fires and to eliminate loss through gushers.

The use of substitutes, wherever practicable, would assist in conserving our limited supply of petroleum. For example, coal, alcohol, and certain derivatives from coal tar might be used more extensively as fuel instead of oil. Also, it has been suggested that the oil found in limited quantities in certain shale-rock formations be extracted and utilized in order to conserve the existing petroleum supply.

(*f*) *Governmental Policy.* The operators themselves have regretted the disastrous effects of unregulated competition, and have made recommendations to the government for legislation which would promote greater co-operation. It was felt that under the antitrust laws, the desired co-ordination could not be secured. Through the use of codes, established by the National Industrial Recovery Act in 1933, an attempt was made to secure co-operation in production, and to eliminate the wastes and abuses which had existed in the oil industry. The act, as previously noted, was declared unconstitutional. Other laws, however, have subsequently been passed by both the National Government and by oil-producing states to limit and apportion petroleum production.

F. WATER CONSERVATION

20. Early Uses of Water Power. During the early days of the Industrial Revolution, the English factories made use of the power furnished by streams in order to operate their looms. In our own country, the first mills were also located along streams. With the invention of the steam engine, however, and the use of coal, the importance of water as a source of power declined.

21. Development of Hydroelectricity. The great demand for power in modern industry, the increased use of electricity for industrial and domestic purposes, and the possibility of transferring electric current over long distances, from power sites to places of consumption, have increased the importance of water power, not only in the United States, but also throughout all industrial nations.

Gigantic plants are now located at power sites in different parts of the country. The force of the water is used to produce electric current which can then be transmitted over long distances to points where it is employed for domestic and industrial purposes. The generation of electricity by means of water produces what is called hydroelectric power.

22. Water-Power Possibilities. The United States is fortunate in possessing abundant water resources. At present, we are using only about 20 per cent of this available power. Greater use of our water power would be highly desirable, because it would aid in the conservation of other sources of power, such as coal, oil, and natural gas.

It must not be supposed, however, that water can entirely supplant other forms of power. Even though we made use of all the available water resources in the United States, it would not be sufficient to meet our enormous demands for energy. We should still be largely dependent on other sources of power, particularly coal. Water power now supplies only about five per cent of the total power developed in the country.

The use of water power is attended by some difficulties. The supply of power is not constant throughout the year because of the variation in the volume of water. During periods of drought the operation of power plants would be difficult. The utilization of hydroelectric power also involves an expenditure of large sums of money for the construction of powerhouses, dams, and transmission lines.

23. Conservation of Water-Power Resources. The acquisition of many water-power sites by private companies, the increased use of electricity, both for domestic and industrial purposes, the high rates charged by some power companies and the extension of public-utility activities across state lines have aroused the public to a realization of the importance of conserving our water-power resources.

In 1920, Congress passed the Federal Water Power Act and established the Water Power Commission, which was authorized to issue water-power licenses for fifty years to companies, states, or municipalities for the construction of power projects on federal property. In issuing the licenses, municipal or state enterprises were given preference over those of private companies. The Commission was also given power to regulate rates, and to supervise the sale of stocks and bonds of power companies in those states where adequate provision had not been made for such regulation by the state governments.

24. Some Major Federal Projects. The great power projects now in operation or in process of construction in the United States give evidence that the future citizens of our country will see a far greater utilization of the nation's water resources.

(*a*) *Tennessee Valley.* During the World War the Federal Government made plans for the erection of dams and powerhouses at Muscle Shoals in the Tennessee Valley in order to extract from the air nitrogen to be used in the manufacture of explosives. This project was not completed, and for many years the disposal of the power plant erected there was a subject of dispute.

In 1933, the Roosevelt administration used the Muscle Shoals development as the basis of an extensive conservation project in the Tennessee Valley. The T.V.A. aimed not only to supply electricity over a vast area, but also to manufacture fertilizer, provide irrigation and reforestation, and promote flood control. The project was undertaken partly as a relief measure.

A gigantic social and economic experiment is being carried on in the Tennessee Valley. A section has been set aside for the erection of model homes and the establishment of new communities. The project is an example of government operation on an extended scale which is being watched with keen interest by both its friends and its foes. It is claimed that the costs of producing electricity in the Tennessee Valley under public ownership will serve as a yardstick for the measurement of power rates charged by private utility companies elsewhere. Critics, however, contend that this comparison is unfair because the government escapes taxes and certain other costs which private industry must pay.

(*b*) *Boulder Dam on the Colorado River.* In 1935, President Roosevelt pressed a button at the White House which set in operation another colossal project known as Boulder Dam. This is one of the greatest engineering feats in the history of our country. The walls of the dam hold back the waters of the Colorado River and create a lake 115 miles long and 40 miles wide. The water is used for the generation of electricity and for the irrigation of farm lands. The electricity is distributed over a wide area. Many square miles of territory have been made productive by the waters released by this project.

(*c*) *Columbia River Valley.* Other federal undertakings of vast proportions are the Grand Coulee Dam and the Bonneville Dam on the Columbia River.

(*d*) *St. Lawrence River Projects.* Among the plans proposed in Congress for the development of water power on a large scale is the St. Lawrence deep waterway to the sea, mentioned in Chapter VI. Although a bill embracing this project failed to pass Congress in 1935, those who sponsor the plan have not given up the hope of some day seeing a deep waterway constructed from the Great Lakes to the sea. This waterway would provide passage for ships from the Atlantic Ocean into the Great Lakes, and would also make possible the generation of electricity for distribution over a widely extended area.

25. Waterways and Flood Prevention. The improvement of our inland waterway system is a vital part of the conservation movement. The building of dams, the storage of water, the development of water power, reforestation, and the entire problem of flood control have assumed great importance in the minds of American citizens.

The great floods which occurred in the Ohio and Mississippi Valleys in 1937 forcibly impressed upon the American people the need for adequate flood protection. In addition to destroying life and property, rendering homeless hundreds of thousands of persons, and paralyzing business, the floods have taken a serious toll of the nation's wealth by destroying the productivity of the soil.

The removal of forests and vegetation has been a contributing cause of the floods which have been so disastrous in recent years. The lack of forest growth permits the rains to rush off the surface of the earth into streams which overflow their banks, flooding large areas. As it rushes over the ground, the water carries away the topsoil.

The government is attempting to check the menace of floods by constructing dams, levees, and storage places for water, and also by reforesting large areas, especially on mountains and hillsides.

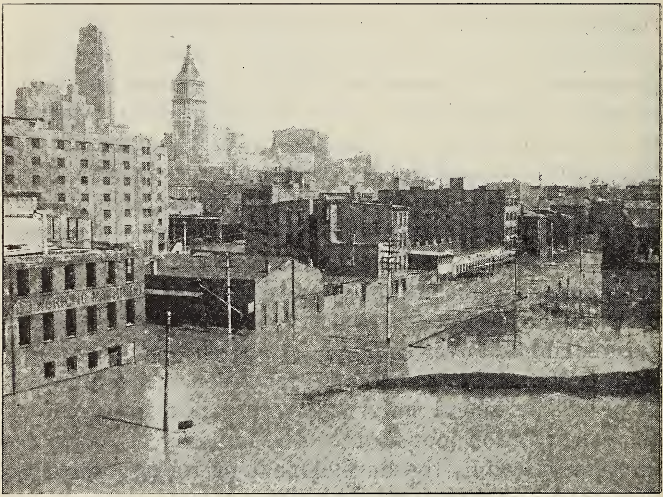


Photo from Keystone View Co.

Cincinnati, Ohio during a Flood

In addition to the loss of lives, floods are responsible for much destruction of property.

G. Conservation of the Soil

26. Nature and Importance of the Soil. The soil is a vital factor in the business of getting a living. It is from the soil that we derive not only the food which we consume but also many other necessities of life.

Soil is the top layer of the earth; it varies in depth from a few inches to many feet. It is made up of small particles which have been produced through the slow disintegration of rocks over a long period of time. The soil also contains the remains of vegetable matter, such as roots, leaves, grass, and weeds. This decayed vegetable matter, called humus, is essential in supplying food for plants. It is in this top layer of soil that nature has also stored other elements which are necessary for the production of crops. Among them are such mineral foods as nitrogen, potassium, and phosphorus. The loss of the topsoil, therefore, renders the land unfit for agricultural purposes, and reduces the population depending on these lands to poverty.

The Soil Conservation Service of the Department of Agriculture tells us that 50 million acres of farm land have been permanently lost to crop production since the United States was settled. Soil experts estimate that it has taken thousands of years to produce the surface layer of earth, and that five hundred years would be required to produce one inch of soil. We can readily see then how necessary it is to conserve the soil which is one of the most important of all our resources.

27. Erosion. (*a*) *Nature and Significance.* Erosion is the process by which the topsoil is worn away by the flow of water or carried away by the action of wind. The National Resources Board estimates that over a billion acres, or about half the total land area of the United States, have been either seriously impaired or completely destroyed by erosion.

(*b*) *Causes of Erosion.* A number of causes have contributed to the loss of soil through erosion. The removal of forests and vegetation has permitted heavy and long continued rains to wear away the land. In cultivating their acres, farmers have often plowed their furrows straight up and down hills, thereby creating natural channels for the water to pass through as it pours over the hillsides. In sweeping over the land, the water first cuts little channels, here and there, called gullies. With the continued action of the water, these gullies are widened, and cut back, until finally the entire topsoil may be carried off. In recent years, dust storms have also carried away enormous quantities of topsoil.

(*c*) *Checking Erosion.* In some sections of the United States, energetic measures are now being taken to combat erosion. In order to hold the soil more securely in place, a system of alternate planting is being adopted in many areas; that is, rows of corn are alternated with rows of grass or other vegetation which grips the earth. Farmers are being urged to plow their furrows in rows around the hill, instead of up and down the hill, leaving some vegetation between rows. The building of terraces and dams on sloping ground is also being encouraged. The grazing of cattle is being supervised in order that the surface of the ground may not be denuded of its protective grassy covering. Reforestation is one of the major policies in this program to check erosion.

The Federal Government, through the Soil Conservation Service of the Department of Agriculture, is carrying on an extensive program for the purpose of preventing erosion and conserving the soil. In order to check erosion the Federal Government undertook the work of planting shelter belts of trees in an area extending from the northern boundary of the United States as far south as Texas. These shelter belts or stretches of trees tend to break the force of the winds thereby aiding in the work of preventing soil erosion. Trees have also been planted around farmsteads in the drought area and grasses have been cultivated to grip the soil and aid in preventing erosion.

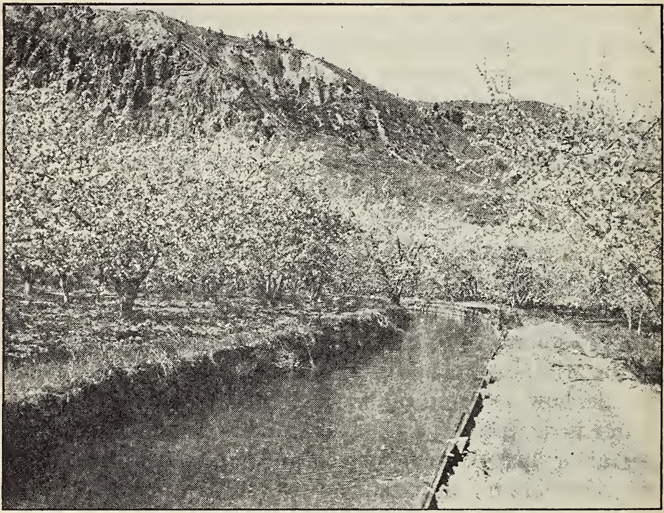
28. Restoring Soil Fertility. Plants derive their nourishment by extracting mineral elements in soluble form from the soil. Among the important mineral elements necessary for plant growth are phosphorus, nitrogen, and potassium. Large areas of land in the United States have lost their fertility through the exhaustion of these elements.

The use of commercial fertilizers containing essential minerals is one method of restoring fertility to the soil. Another method is the practice of crop rotation. Clover, peas, vetch, and certain other plants used as cover crops obtain nitrogen from the air and secrete it on their roots, whence it finds its way into the soil. If these crops are alternated with cultivated crops, the fertility of the soil will be increased. Some years ago the government took steps to conserve phosphate by withdrawing lands containing this mineral from public sale.

29. Reclaiming Wet Lands. Millions of acres of land in the United States have been unfit for agricultural purposes because of the presence of excessive moisture. This has been especially true of large areas in the valley of the Mississippi and its tributaries. Much of this land is fertile, however, and can be made productive if the excess water is drained off. Drainage operations have been undertaken by private agencies and by federal and state governments on an extensive scale. They have resulted in the reclamation of millions of acres of land which would otherwise have been lost to cultivation. The draining of the Everglades of Florida is a notable example of reclamation of swampy lands; much also has been accomplished in California, Illinois, Virginia, New Jersey, and other states.

30. Irrigating Dry Lands. While large areas of the United States have been made unproductive through excessive moisture, even larger areas have suffered through insufficient moisture. For the reclamation of these arid regions, vast irrigation projects have been attempted by federal and state governments.

Among the more successful irrigation projects have been those carried on in the Imperial Valley of California and in the Strawberry Valley of Utah. The construction of the gigantic Roosevelt Dam in Arizona and Boulder Dam on the Colorado River are examples of irrigation projects on an enormous scale.



Triangle Photo Service

Irrigation Canal in an Apple Orchard in Washington

Summary. The satisfaction of wants is closely linked with the utilization of natural resources. America, more than any other nation, depends on her rich supplies of timber, coal, iron, oil, water, and land. It may safely be said that the wealth, power, and prestige of the United States, and the general well-being of our people are due in large measure to the abundance of natural resources with which we have been so lavishly endowed.

While the use of our natural resources has contributed to the nation's development, nevertheless it has been accomplished with unjustifiable waste, inefficiency, and disregard for the future. It is only within comparatively recent years that the country has awakened to the realization that these treasures are not inexhaustible, and that, if the prosperity of the nation is to continue, the wastes of our natural resources must be checked and a nation-wide policy of conservation must be adopted.

It was the gradual depletion of the nation's magnificent forests that first aroused the interest of the American people in the problem of conservation. This has been followed by efforts to conserve other important resources of the nation.

The policy of conservation, first formulated during the administrations of Theodore Roosevelt, was revived and expanded during the administrations of Franklin D. Roosevelt. At the present time, both the federal and state governments are engaged in vast projects for the conservation of natural resources.

Word Study: Denuded, devastated, depleted; corrosion, erosion, disintegration; reclamation, conservation; virgin forests; combustible; humus; gushers; derivatives, solvents, lubricants; anthracite, bituminous; hydroelectricity; geologist.

Questions on the Text

1. Why were our forefathers indifferent to the waste of natural resources?
2. What is the real meaning of "conservation" from the economic viewpoint?
3. In what ways are we dependent on forests? How have our forests been wasted?
4. Discuss the conservation of forests. Point out particularly the work carried on by the Forest Service of the United States.
5. Explain the organization and work of the Civilian Conservation Corps.
6. Name some of the uses of coal. Distinguish between kinds of coal.

7. How have our coal supplies been wasted? What methods have been suggested for conserving coal?

8. Discuss the uses of iron; the wastes of iron; some methods of conserving iron.

9. What products are derived from petroleum? Why is petroleum so important today?

10. Discuss the wastes of petroleum and some methods of conserving petroleum.

11. Show the possibilities and limitations of water power.

12. Discuss some great water-power projects undertaken by the Federal Government.

13. What is erosion? What causes it? What remedies have been suggested for preventing it or checking it?

14. How may fertility be restored to the soil?

15. Discuss the reclaiming of wet lands.

16. What is irrigation? Where are some important irrigation projects being carried on?

Application and Interpretation

1. Make a list of the various ways in which forest products contribute to the satisfaction of your wants.

2. How does coal contribute to the satisfaction of your wants? Locate the source of coal nearest to your community.

3. What uses of iron can you see in the community about you? Show how your community is more dependent on iron today than it was a century ago.

4. What would be the effect on community life if the petroleum supply were drastically reduced? Cut off altogether?

5. Are there any important water-power developments in your state? If so, describe them and show their significance.

6. Why is the conservation of soil vital to the people of your community? Do agricultural products form an important part of the wealth of your state? If so, what products?

7. Is your community or state carrying on any important activities for the purpose of controlling floods, checking soil erosion, preventing forest fires? If so, investigate and explain.

Suggested Activities

I. Prepare talks on the following subjects:
1. Civilian Conservation Corps.
2. Causes and prevention of soil erosion.
3. Work of the Soil Conservation Service.

4. Origin of coal.
5. Petroleum products and their uses.
6. Work of the Forest Service.
7. Flood control.

II. 1. On an outline map indicate the principal sources in the United States of coal, iron, petroleum, and timber.

2. On an outline map indicate the locations of some of the great dams recently constructed or under construction. Show in colored crayon the territory that is to be benefited by the dam. On the reverse side of the map list the services which these dams furnish or will furnish.

III. Prepare cartoons illustrating:

1. Dependence of modern industry on mineral resources.
2. How natural resources have promoted the economic self-sufficiency of the United States.

IV. Secure, if possible, moving pictures to show phases of the conservation movement.

V. Secure speakers, if possible, whose work lies in any of the fields of conservation.

VI. Plan a trip to some outstanding conservation project, either state or federal. Use observations as basis for class discussions.

COLLATERAL READINGS

ARNOLD—*Problems in American Life;* Chap. XII, "The Conservation of Natural Resources."

BOWEN—*Social Economy;* Chap. XX, "Conservation."

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap. IV, "Utilization of Natural Resources"; Vol. II, Chap. IV, "Conservation of Natural Resources."

BURCH—*American Economic Life;* Chap. XI, "Forest Conservation"; Chap. XII, "Water Possibilities."

GREENAN—*Readings in American Citizenship;* Chap. XXVI, "Conservation of Natural Resources."

HART—*Visualized Problems of American Democracy;* Chap. XVIII, "Conservation."

HASKIN—*The American Government Today;* Chap. XIII, "Department of the Interior"; Chap. XVII, "The Forest Service."

HUGHES—*Problems of American Democracy;* Chap. XV, "Using Wisely the Gifts of Nature."

KING and BARNARD—*Our Community Life;* Chap. X, "Conserving Our Resources."

PERRET—*Man's Work and World;* Chap. XIV, "Natural Resources."

TOWNE—*Social Problems;* Chap. XVI, "Conservation of Natural Resources."

ADVANCED READINGS

ATKINS and others—*Economic Behavior;* Chap. XXII, "Too Much Competition, Oil and Coal."

BEARD and BEARD—*The American Leviathan;* Chap. XVII, "Natural Resources."

BOGART—*Economic History of the American People;* Chap. XXI, "Appropriation and Exploitation of Natural Resources."

CHASE—*Rich Land, Poor Land.*

DURAND—*American Industry and Commerce;* Chap. IV, "Primary Factors in American Progress—Natural Resources."

ECKEL—*Coal, Iron, and War.*

ILLICK—*An Outline of General Forestry.*

LEITH—*World Minerals and World Politics.*

PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. I, Chap. II, "Utilization of Natural Wealth."

VAN HISE and HAVEMEYER—*Conservation of Our Natural Resources.*

VOSKUIL—*Minerals in Modern Industry.*

REFERENCES

United States Department of Agriculture
  Forest Service—*Bulletins* and *Reports.*
  Soil Conservation Service—*Bulletins* and *Reports.*
United States Department of the Interior
  Bureau of Mines—*Bulletins* and *Reports.*
  Bureau of Reclamation—*Bulletins* and *Reports.*

CHAPTER XVIII

IMPROVEMENTS IN AGRICULTURAL CONDITIONS

Objectives:

(1) To show the importance of agriculture, its development, and modern characteristics.

(2) To examine some of the problems that face the farmer and some of the efforts to solve these problems.

A. SOCIAL AND ECONOMIC SIGNIFICANCE OF AGRICULTURE

1. Influence of Agriculture on Early Social Development. Long before the dawn of recorded history, our primitive ancestors, in their efforts to obtain a living, made an important contribution to the progress of mankind. They discovered not only that plants could be used for food, but also that plants could be raised by cultivating the soil. This process of cultivating the soil, which we call agriculture, marked an important advance in human development. It gave man a greater quantity and variety of food products, which, in turn, stimulated the growth of population. Man tended to become less migratory in his habits. He settled longer in one place in order to raise his crops. There was greater opportunity for social contacts and interaction among individuals. In short, man became more civilized. The right of private property in land arose and governments developed to maintain law and order among the individuals of the group. This was outlined in Part One.

Primitive methods of agriculture were crude. Early man simply scratched the surface of the soil with a pointed stick or a shell. Consequently the products were limited. Nevertheless many of the grains and fruits we use today were discovered by our primitive ancestors. With the passage of time some improvements took place in the methods of agriculture and in the quality and variety of products.

The great civilizations that later arose were based on agriculture. The wealth, power, and prestige of ancient Egypt and of the peoples of Mesopotamia were made possible by the food produced in the rich and fertile valleys of the Nile and of the Tigris-Euphrates rivers. To a large extent, the civilizations that developed in Europe and America have also been based on agriculture. Despite the great technological advances and scientific discoveries of modern times, man has never ceased to be dependent on the soil as the primary source of his food supply.

2. Influence of Agriculture on American Economic Life. Since many of us live in urban communities today and obtain our food supplies so easily and so indirectly, we are apt to lose sight of the significance of agriculture in gratifying our wants, and of its place in creating our high plane of living. Since it supplies us not only with food but also with clothing and many other articles, agriculture becomes the primary means of want satisfaction.

The fertile fields that nature placed at the disposal of the early settlers aided in the rapid development of the new nation. Our territory and food supply have always been sufficient for our expanding population. In fact, they have laid the basis for the creation of wealth, the utilization of natural resources, and the industrialization of the country. The products of our fields have also helped to bring about the security and economic self-sufficiency of the United States.

Agriculture is our basic industry; without it our industrial system, with its banks, factories, transportation agencies, business combinations, trade, and commerce, would be worthless. Furthermore, our great agricultural population constitutes a vast market for manufactured goods, such as tractors, trucks, automobiles, fertilizers, farm implements, and clothing. The transportation of our agricultural products also furnishes an important source of revenue for the railroads and other transportation agencies.

Agriculture in the modern world has become a vast enterprise. This is particularly true of the United States, where over 31 million people make up the farm population of the country. This means that almost a quarter of our total population depend directly or indirectly on agriculture for a living. An enormous amount of money is invested in farm property.

B. Agricultural Changes

3. Agricultural Revolutions. For thousands of years little change had taken place in methods and implements used in farming, and in the quality, quantity, and variety of farm products. In England, however, in the eighteenth century, considerable interest was shown in the improvement of plants and seeds, in better livestock through careful breeding, and in refertilization of the ground through crop rotation.

Despite the impetus given to the improvement of agriculture, crude methods and implements continued in use in the United States during colonial days and even in the early part of the nineteenth century. Later, however, the American farmer speeded up production through the extensive use of the plow, reaper, seeder, tractor, cultivator, and more recently the automobile, truck, improved road, and gasoline motor.

4. Modern Farming. (*a*) *Mechanized and Scientific Character.* Today, farming in the United States has become a scientific and mechanized business. American farmers have made a more extensive use of scientific methods and improved machinery than the agricultural workers of any other nation. As a result, crop production per farmer has increased enormously. The Federal Government, through the Department of Agriculture, has been an important factor in stimulating production and in increasing the efficiency of farm methods. State governments, agricultural colleges, and experimental stations have also contributed to the increased production of our agricultural lands.

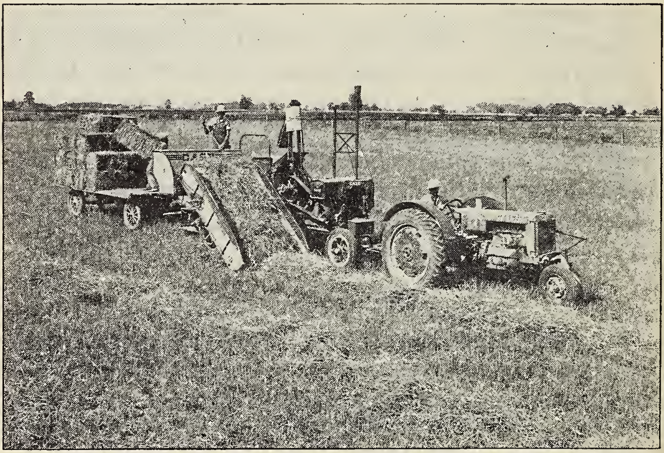


Photo from J. I. Case Company

Modern Machinery Makes Farm Work More Productive
Wheat straw being picked up, baled, and loaded all at once.

(*b*) *Individualistic Nature.* In spite of the highly mechanized nature of modern agriculture, farming still remains largely an individualistic business. The combination movement has not invaded agriculture as it has invaded so many other fields of economic activity. Although there are some very large farms in the United States, the small farm predominates.

(*c*) *Specialization and Interdependence.* It is true, however, that the modern farmer has lost much of his former independence and self-sufficiency. The early American farmer produced for use and not for sale. Every farm was, relatively speaking, a self-sufficing unit. As the country developed, however, farmers tended to specialize in the growing of certain crops.

The farmer, therefore, has to depend on others to supply him with many of the things which he requires for the satisfaction of his own wants and for the carrying on of his business. He needs, for example, seeds, fertilizers, tractors, trucks, clothing, and medical supplies. Often he must borrow money in order to purchase these necessities. The status of self-sufficiency and independence of the traditional farmer has given way to one of interdependence.

5. Changes in Rural Conditions. (*a*) *Economic Improvements.* Modern inventions have helped to make farm work not only more productive, but also less laborious. While labor, of course, is still essential and plays an important part in farm work, nevertheless the farmer's day is no longer one of unremitting physical toil. The use of the tractor, mechanical cultivator and reaper, and other labor savers has not only made the work of the farmer less burdensome and exhausting, but also has relieved the monotony of an earlier period. On many an American farm today, for example, can be heard the sound of the gasoline motor, as it saws wood, pumps water, turns the milk separator, and does many of the laborious chores which the farmer formerly had to do by hand.

(*b*) *Social Improvements.* Social conditions also have improved for the farmer and his family. He is no longer isolated for long periods of time from his fellow human beings. The automobile, radio, telephone, and improved roads have broken down the isolation of farm communities, and made it possible for rural families to come into closer contact with each other as well as with urban centers and the world at large. There is greater opportunity for medical care, recreation, and social activities today. In the winter months the farmer and his family may listen at their own fireside to the world's great music, to scientific lectures, to news of the world, to crop reports, and to sports events. The consolidated school and better-equipped teachers have also extended educational opportunities that were lacking in the nineteenth century.

6. Shift of Population from Country to City. (*a*) *Recent Trends.* For a long period in the history of our country, the nation was predominantly agricultural. Even as recently as 1890, half our population was rural. In the nineteenth century, however, there had been a drift from rural communities to urban centers. This tendency has continued until today three fourths of our total population are urban, with only one fourth rural. For a few years during the industrial depression, which began in 1929, there was a noticeable trend back to the rural sections. With improvement in industry giving increased opportunities for work, the movement to the cities again manifested itself.

(*b*) *Causes.* The migration of the rural population to the cities has been caused by several factors. The increased industrialization of the United States, the opportunities for employment in industrial centers, the attractive features of city life, its comforts and amusements, all have beckoned to the rural youth. This has been combined with a reduced demand for labor on the farm, because of the widely extended use of machinery and the application of scientific methods of farming.

(*c*) *Effects.* The movement of our rural population to the cities has often been regretted. It is true, perhaps, that many of the most energetic, enterprising, and highly qualified individuals in the rural communities have migrated to the city. Nevertheless, it must be kept in mind that the loss to the rural communities has been the gain of the cities. On the whole, it has been more of a blessing than a calamity. It would be undesirable to have an excessively large rural population, when modern means of production have enormously increased the productivity of our farms and decreased the demand for farm labor.

As our rural population moved to the cities, people carried with them those virtues which characterized the rural population of America, and exerted a stabilizing influence upon the urban communities. The American farmer may be characterized as a steady, reliable, independent, and conservative individual. He has generally been a firm believer in American principles and institutions and a steadfast conserver of our native traditions. The stabilizing influence of the rural element in our cities has had a distinct value in a nation where economic, social, and political changes have taken place with great rapidity.

C. Problems of the Farmer

7. **General Picture.** Despite the great advances made in agriculture, the American farmer has been beset with many difficulties. He has had to contend not only with the natural hazards of his occupation, but also with problems of credit and of markets. Since the World War, especially, he has been worried by economic difficulties of a most perplexing nature. Large surpluses of agricultural products, lack of markets, falling prices, and lowered purchasing power have created a farm problem of grave significance.

8. **Natural Hazards of Farming.** All business is char-

acterized by some risk. No one can predict with accuracy what the future will bring. Many things can happen to mar the success of any business undertaking. Farming, perhaps more than any other enterprise, is subject to the changing moods of nature. Nature is both a friend and a foe. Today it gives, tomorrow it may take away.

Nature gives the farmer sunlight, air, moisture, and fertile soil. Nature also sends hurricanes, tornadoes, sand storms, floods, droughts, frosts, insect pests, and plant diseases. Wind and water destroy the productivity of farm lands through erosion. The fertility of the soil is impaired by the cultivation of plants which extract valuable plant food from the soil in the form of minerals.

The boll weevil, the Japanese beetle, the potato bug, and other insect pests exact a terrific toll of agricultural products each year. It is said that the boll weevil accounts for a loss of $200,000,000 worth of cotton each year. Wheat rust, the San Jose scale which attacks fruits, the pine-blister rust, and other plant diseases also account for losses amounting to millions of dollars. Livestock are attacked by such diseases as sheep scabies, hog cholera, and the foot-and-mouth disease.

Because of these natural hazards, the agriculturist, unlike the industrialist, cannot control his production; nor can he foretell with any certainty what the quality and quantity of his crop will be. He must be eternally vigilant in order to prevent irreparable damage from natural causes.

9. Credit. As was observed in the chapter on domestic exchange, credit is essential for the conduct of modern business. With the farmer producing for the market rather than for his own consumption, agriculture has acquired the status of a business, and the modern farmer must have credit for the purchase of seeds, fertilizers, machinery, and other equipment.

After the farmer has cultivated the soil and planted the seeds, a long interval must elapse before he harvests his crop and markets it. It has not been easy, however, for the farmer to obtain at reasonable rates of interest the funds which he has required. He has not been in a position to offer security that would satisfy bankers. The nature of his business is so uncertain that there is always danger that he may be unable to repay the loan. This will probably be the case if his crop is a failure. On the other hand, bumper crops may cause drastic reductions in prices, which may so decrease the farmer's income that he cannot meet his loan despite the productivity of nature.

10. Marketing Farm Products. Farming, as already pointed out, is a highly individualistic business, each farmer acting as an independent unit in growing and marketing his products. Organization and combination have not developed in the field of agriculture as in other forms of business. In marketing his products, therefore, the farmer is at a disadvantage.

When harvests are plentiful and prices low, the farmer cannot afford to store his products and wait for better prices. He has not the cash to tide himself over the period of low prices, nor has he facilities for storing his crops; he must dispose of them quickly at prevailing prices. The middleman with his large amounts of capital can buy up products from the individual farmers at low prices, store these products until a shortage is created, and place them on the market when prices are high.

In recent years, the farmer has exhibited a more co-operative spirit in the marketing of his products. This has been evidenced by the formation of farm co-operative associations. The government also made efforts during the depression to assist the farmer with his marketing problems by buying up farm surpluses and by paying him to reduce his acreage in certain crops.

11. Instability of Agricultural Prices. (*a*) *During*

World War. During the World War, the tremendous demand for farm products stimulated production in the United States on a vast scale. American farmers supplied food for most of the countries of the world, and received high prices for their products. In 1919, the prices of wheat, corn, cotton, tobacco, and other agricultural products reached high levels, and the purchasing power of the farmer was therefore correspondingly high.

In order to increase production, farmers bought additional land and farm machinery. To finance their extended operations, they borrowed money from the banks at high rates of interest. Farmers, in general, were prospering, not only because of the great demand for farm products, but also because the exchange value of the products which they had to sell was high compared with the exchange value of the products which farmers had to buy.

(*b*) *After World War.* Shortly after the war, the situation changed with disastrous results for the farmer. Foreign nations began to raise their own food supplies on the fields which had lain idle during the great conflict. The demand for our agricultural products abroad declined, and our foreign markets dwindled. The demand for farm products in our own domestic market also fell off. Prices of agricultural products dropped sharply. As a result of falling agricultural prices, the purchasing power of the farmer was drastically reduced. It is true that other commodities also declined in price, but the drop in the prices of agricultural products was relatively greater than that in the prices of manufactured goods.

12. Agricultural Depression. The farmer was actually experiencing a depression long before the stock-market collapse in 1929. The low income received by many farmers prevented them from paying interest on funds borrowed at high rates during prosperous years. Mortgage foreclosures became more frequent and many farmers lost farms which it had taken them a lifetime to acquire. Increased production in the United States and in other countries created huge surpluses of wheat, cotton, and other agricultural products. The problem of how to handle these surpluses became acute.

The industrial depression, which began in 1929, added to the burdens of the farmer. Agricultural surpluses continued to mount, demand continued to fall off, prices of farm products reached new low levels, and the purchasing power of the farmer was seriously curtailed.

The farm depression intensified the severity of the industrial depression. Millions of farmers could not afford to buy the goods which the factories of the nation were producing. In turn millions of factory workers were deprived of the means of buying farm products. There was acute distress and suffering throughout the country. A peculiar problem of our modern economic order presented itself. There was want in the midst of plenty. There was huge production of agricultural products, yet people in the cities were hungry.

The distress among farmers gave way to discontent and anger. In some sections of the country, farmers took drastic action to prevent the marketing of farm products at starvation prices and also to prevent mortgage foreclosures on their farms.

13. Poverty in Rural Sections. (*a*) *Evidences.* In some rural sections of the United States, there are families whose income for years has been so low that it has been impossible for them to maintain a decent standard of living, and to obtain the bare necessities of life. Their clothing is scanty; their food, inadequate; their houses, wretched. In many cases, their homes are insanitary, lacking in facilities for heating, and without running water, good toilets, or any of the conveniences which are essential for decent and healthful living. Educational and recreational opportunities also are lacking, and there is little to relieve the bleak monotony of their daily lives.

(*b*) *Causes.* This condition has been brought about in large measure through the impoverished condition of the soil. Some of the land areas upon which many of these families dwell have become unproductive through erosion and through the exhaustion of the mineral elements necessary for the growth of crops. The depression increased the hardships suffered by these destitute families.

14. Farm Tenancy. (*a*) *Recent Increase.* Before the World War, more than 65 per cent of the farm property in the United States had been owned by the farmers of the country. During the depression, however, farms in such large numbers passed out of the hands of their owners and into the possession of banks and other absentee landlords that today half the farms in the United States are operated by tenant farmers on a ''share'' or cash basis. ''Share cropper'' is a term applied to some forms of tenant farming. The landlord permits the use of his land and even advances some capital to the share cropper for tools and food in return for a share of the proceeds from the crops raised. The tremendous increase in tenant farming has been influenced by the loss of purchasing power of the farmer and by his inability to meet payments on loans.

(*b*) *Recent Conditions.* Early in 1937, the President's special committee, after making a survey of farm tenancy, made its report which disclosed conditions of a deplorable nature. Abject poverty was found among a large portion of our farm population. They were not only inadequately housed and undernourished, but they were also the prey of diseases which left them without the physical vitality to strive toward an improvement in their lot. The condition of these people was as bad as, or worse than, that of many European peasants.

(*c*) *Consequences.* In addition to the unfortunate social effects of so large a submerged population, tenant farming and the conditions producing it have brought undesirable economic consequences. Tenant farming does not make for efficient farming. The farm may change hands and the farmer be displaced. The tenant shows a tendency to move from one locality to another in an effort to improve his lot. Therefore he does not take as great an interest in the farm as he would if he were to be settled there permanently. He does not fertilize the land and neglects to keep the property in repair. Buildings, fences, drains, and farm equipment deteriorate.

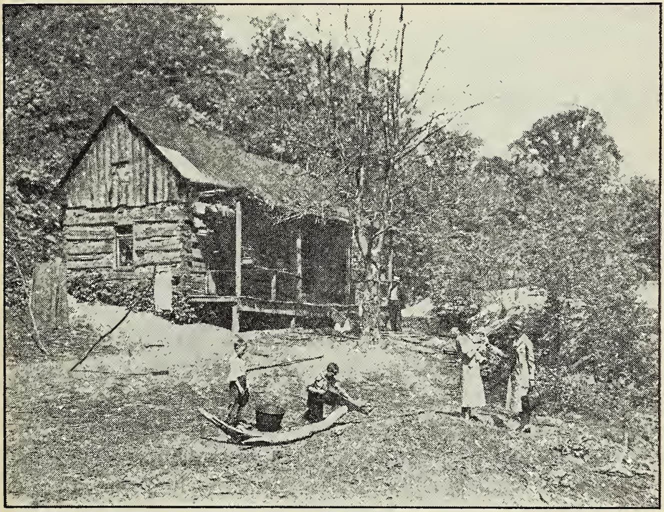


Photo by Hine for American Red Cross

A RED CROSS NURSE VISITS A POOR FAMILY IN A RURAL DISTRICT

Such a home often lacks sanitary facilities of any kind.

Many tenant farmers do not remain long enough in one place to become attached to the community and associated with its institutions. Farmers who move from place to place are called "itinerant farmers." Because of this constant moving the children of such families suffer from a lack of social, educational, and religious contacts. The increase in tenant farming, therefore, is looked upon as an unfortunate development in the history of American agriculture.

D. Efforts to Aid the Farmer

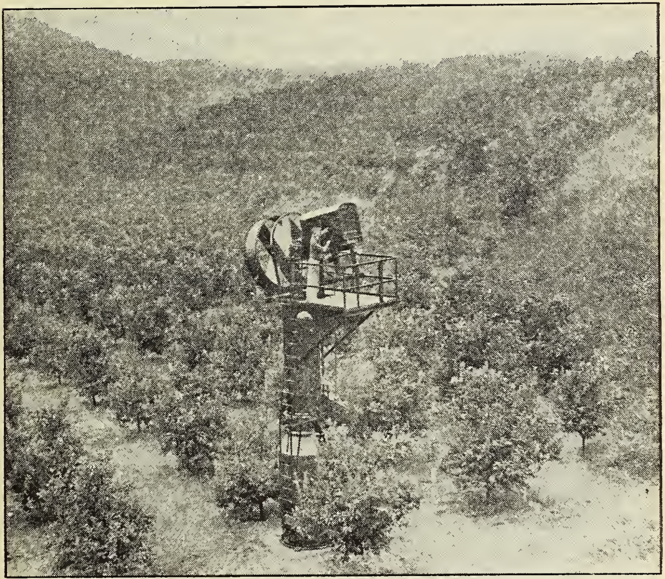
15. Combating Natural Hazards. The farmer has received substantial assistance from the Department of Agriculture in Washington, state governments, experimental stations, and agricultural colleges. Valuable information has been furnished him through bulletins, lectures, and extension services concerning crop rotation, fertilizers, poultry breeding, insect sprays, and many other subjects.

The Department of Agriculture, through its bureaus, has carried on an extensive program to help the farmer increase the productivity of farm lands. The Bureau of Entomology wages a relentless warfare against the insect enemies of farm crops. It has been able to check the ravages of such pernicious pests as the boll weevil and the Japanese beetle.

The Bureau of Plant Industry, through experimentation and research, has improved the quality and increased the variety and yield of agricultural products. This bureau also establishes quarantines and attempts by other methods to check the spread of plant diseases and insect pests.

The Bureau of Animal Husbandry has done a notable work in improving the strains of livestock. It has made a vigorous attack on those diseases which afflict animals, and has almost eradicated the foot-and-mouth disease, hog cholera, and sheep scabies. Through the work of this department, tuberculosis among livestock has been materially reduced.

The Weather Bureau furnishes information concerning climatic changes. Through the weather reports given by this bureau, the farmer is warned of impending cold waves and storms; he can take necessary precautions against them. Modern means of communication, such as the telephone and radio, have increased considerably the value of this service. Growers of perishable fruits and vegetables are especially benefited by the services of the Weather Bureau.



Soibelman Syndicate, N.Y.

"Scientific Windmill" for California Citrus Crops

When fruitgrowers are warned of approaching cold weather this blower with a built-in air heater warms the air and helps to save the perishable fruit.

From the Soil Conservation Service of the United

States Department of Agriculture, the farmer obtains valuable information concerning types of soil. We have already learned that the government, through its vast irrigation projects and drainage operations, has increased the productivity of farm lands over a wide area.

16. Extending Credit and Checking Foreclosures. In order to make it easier for the farmer to obtain long-term credit, Congress passed the Federal Farm Loan Act in 1916. A Federal Farm Loan Board was created and twelve Federal Land Banks were established at different points throughout the country. Through the services rendered by these organizations, the farmer was able to borrow money for long terms at moderate rates of interest.

In 1923, Congress passed the Agricultural Credits Act which enabled the farmer to obtain short-term credits at moderate rates. This act created twelve Intermediate Credit Banks under the supervision of the Comptroller of the Currency.

In 1933, the various agencies which had been created to extend financial aid to the farmers were grouped under one main organization called the Farm Credit Administration. The widespread loss of farms through mortgage foreclosures led to the passage of the Farm Mortgage Act in 1933. Through the provisions of this act and subsequent legislation, assistance was given to many distressed farmers.

17. Helping the Farmer to Market His Crops. In 1929, Congress passed the Agricultural Marketing Act. It was believed that this act, by giving assistance to farm co-operative associations, would help the farmer to obtain better prices for his products and to reduce the huge surpluses which had been accumulating. The Farm Board was created and a fund of a half billion dollars was appropriated to carry on the work.

The Farm Board made loans to the co-operative associations which had been formed to market the farmer's products. In order to reduce agricultural surpluses and stabilize farm prices, the Farm Board purchased huge stores of wheat and other agricultural products. Despite these efforts, however, the agricultural surpluses continued to mount and prices continued to drop.

18. Attempting to Limit Farm Production and to Raise Agricultural Prices. During the great depression, distress and suffering among farmers of the country became acute; unrest and discontent spread throughout the agricultural population. In 1933, the Roosevelt Administration made a tremendous effort to relieve the situation. It proposed to reduce the agricultural surpluses and to raise the purchasing power of the American farmer through controlled production under federal regulation. In order to carry out the plan, Congress passed the Agricultural Adjustment Act.

(*a*) *Agricultural Adjustment Act.* In accordance with the terms of the A.A.A., the growers of basic crops such as wheat, cotton, tobacco, corn, sugar beets, rye, and barley were to be compensated by the government for reducing production. Thousands of farmers throughout the country complied with the provisions of the act and withdrew a certain percentage of their acreage from cultivation. Each of these farmers was then paid by the Federal Government for the acreage which had been withdrawn from production. The cotton farmers were compensated not only for withdrawing a certain acreage from production but also for plowing under every third row. Provisions were likewise made for reducing the number of hogs and beef and dairy cattle. It was hoped that this curtailment of production would increase the prices of farm products to that of the period from 1909 to 1914; that is, to the pre-war level.

In order to obtain funds to pay the farmer for this reduction of production, a tax was placed upon the processors of agricultural products. A processor is a manufacturer who uses agricultural products in producing commodities for the market. The textile manufacturer, the meat packer, and the flour manufacturer are examples of processors. This tax, called the "processing tax," was eventually paid by the consumer, because the processor added the tax to the cost of his goods. The government made an effort, however, to protect the consumer against an unjustifiable increase in prices by establishing a Consumers' Counsel. This organization made a study of the effect of the processing tax on the prices of goods, and acquainted the public with its findings.

The provisions of the Agricultural Adjustment Act were not at first compulsory, but in 1934 the Bankhead Act limited cotton production in the United States to ten million bales a year. Each state was given a definite quota and farmers who produced in excess of the prescribed amount were penalized. The production of other farm commodities also was definitely limited by federal legislation amending or supplementing the Agricultural Adjustment Act.

(*b*) *Effects and Criticism.* The Agricultural Adjustment Act was praised and blamed. In general, the farmers throughout the country approved of it and co-operated with the provisions of the act. Millions of farmers were paid benefits by the Federal Government for reducing production, and the price of farm products rose.

Among the objections raised against the provisions of the A.A.A. were those of individuals and groups who felt that the destruction of crops and animals was unjustifiable during a time of depression, when so many people were in need of food. Others maintained that it was not fair to benefit the farmer at the expense of the consumer. Objections were also made on the grounds that the act was a dangerous extension of governmental functions. It was also contended by critics of the A.A.A.

that higher prices of agricultural products here would inevitably mean the loss of farm markets abroad.

(*c*) *Later Measures.* In 1936, the Supreme Court declared the Agricultural Adjustment Act unconstitutional. Later in the same year, therefore, Congress passed a substitute measure which, it was hoped, would assist in preserving the gains achieved by A.A.A. The new act sought to limit production and, at the same time, to conserve the soil. It made provisions for compensating farmers who withheld a certain percentage of their farm land from agricultural production, and planted it with clover, legumes, and other crops which would refertilize the soil.

In 1938, Congress passed a new Agricultural Adjustment Act, which contained many of the provisions of the act of 1933, but which omitted the processing taxes.

Another method of stabilizing agricultural prices and of helping the farmer was that of granting loans on certain farm products, instead of making payments to those farmers who curtailed production.

Still another method was a subsidy or bonus for exportation and sale in foreign markets of such agricultural surpluses as those of wheat and cotton.

The government still further reduced surpluses by purchasing large supplies of agricultural products. These were distributed to the poor through federal and state relief agencies.

19. Poor Lands and Resettlement Projects. In 1935, the Federal Government created the Resettlement Commission. In its efforts to relieve the distress of those families who had been attempting to earn a living from soil that was no longer fertile, it set up a number of resettlement projects. In some sections of the country farmers have been removed from unfertile areas, and placed on lands where they will have an opportunity to earn a better living from the soil.

In addition to being relocated on fertile lands, these farmers have been granted financial assistance by the government so that they can maintain a decent living while they are making a new start. Large areas of the poor lands abandoned by farmers are now being used for reforestation purposes and for grazing.

20. Farm Co-operatives. In recent years there has been a growth of farm co-operative associations whose purpose is the elimination of the middleman in marketing. Outstanding examples of co-operative marketing associations that have been pioneers in this field are the California Fruit Growers' Exchange and the dairymen's leagues. Farmers have also formed co-operative associations for the purchase of gasoline, fertilizers, and other farm supplies. Insurance co-operatives also have been formed.

Summary. Since prehistoric times, agriculture has been the primary source of want satisfaction. It has had an important influence on social development, and, to a marked degree, on the prosperity of our country.

In the modern world, agriculture has become a vast business. Not only does a large part of our population depend on agriculture for a living, but billions of dollars are invested in farm property. The farm population also constitutes an enormous market for the products of our factories.

Although farming still remains an individualistic business, specialization in agriculture has deprived the farmer of much of his traditional independence and self-sufficiency.

Modern agriculture makes extensive use of scientific methods and mechanical inventions. As a result, production has increased enormously. Modern inventions have not only helped to make farming the vast industry it is today, but they have also helped to make farm work less laborious and living conditions in our rural communities less squalid. In spite of this improvement, however, there has been a strong movement of our rural population to urban centers.

Agriculture as a business is beset with many difficulties. The farmer is confronted not only with natural hazards, but also with problems of restricted credit, marketing crops, agricultural surpluses, falling prices, and lowered income. Farm tenancy also has reached alarming proportions.

The Federal Government has made substantial efforts to assist the farmer. The Department of Agriculture has carried on an extensive program to combat the natural hazards of farming and to increase the productivity of farm lands. The government has aided the farmer in securing credit and in checking mortgage foreclosures. It has also attempted to solve the marketing problem by giving assistance to farm co-operative associations.

In 1933 the Agricultural Adjustment Act attempted to raise the purchasing power of the farmer by a plan of controlled production. Although this act was declared unconstitutional in 1936, Congress later tried to accomplish the same ends through a program of soil conservation. In 1938, Congress passed a new Agricultural Adjustment Act without the original processing taxes. Other aids are governmental loans on crops and subsidies for foreign exportation of agricultural surpluses. Resettlement projects represented another attempt to relieve distress among our agricultural population.

Farmers are attempting to solve their own problems through the use of co-operative associations.

Word Study: Technological; refertilization; mechanized; natural hazards; mortgage foreclosure; share cropper, farm tenancy; stabilize; status; conservative; bumper crops; processor, processing tax; subsidy, bonus.

Questions on the Text

1. How did agriculture influence the development and prosperity of the United States?

2. What are some of the changes that have taken place in agriculture?

3. What improvements have taken place in rural social conditions?

4. Give reasons for the drift of our rural population to the cities. Has this been a fortunate or an unfortunate trend? Explain.

5. What are some of the natural hazards that confront the farmer? Illustrate.

6. Why does the modern farmer need credit? Why did the farmer find it difficult to obtain credit?

7. What difficulties have confronted the farmers in the marketing of their crops?

8. Give reasons for the reduced income of the farmer after the World War.

9. Discuss the extent, causes, and results of poverty in rural communities.

10. What is meant by farm tenancy? Is it a desirable or an undesirable condition? Why? Has it increased in recent years? Why or why not?

11. How does the Department of Agriculture aid the American farmer?

12. How did the National Government help the farmer to obtain credit?

13. How did the National Government in 1929 attempt to aid the farmer to reduce his crop surpluses?

14. What was the Agricultural Adjustment Act? When was it passed? What was its purpose? How did it attempt to raise the income of farmers? What was the processing tax? What was the fate of the A.A.A.?

15. Explain some later measures designed to raise the prices of farm products and to reduce agricultural surpluses.

16. What was the purpose of resettlement projects?

Application and Interpretation

1. Would your community suffer more from a serious shortage of industrial products or agricultural products? Why?

2. Are we less dependent on agriculture today because the United States has become a highly industrialized nation? Why or why not?

3. Did the drift of our rural population to urban communities indicate that the nation as a whole was less dependent on agriculture? If so, how? If not, why not?

4. Would the rapid industrialization of the United States have been possible without our broad fields, varied and extensive agricultural production, and large agricultural population? Discuss.

5. How does an increase in farm income benefit industry? How does an increase in the income of industrial workers benefit the farmer?

6. How have modern means of transportation; that is, good roads, trucks, refrigerator cars, etc., influenced the consumption of agricultural products in your community?

7. Have any of the recent legislative measures to increase the farmer's income affected the inhabitants of your community? If so, how? If not, why not?

Suggested Activities

I. Prepare a talk on one of the following topics:

1. Great inventions that have influenced agricultural production.
2. Influence of modern inventions on rural social life.
3. Farm tenancy: its causes, its spread, and its undesirable features.
4. Poverty in rural communities.
5. Soil Conservation Service.
6. Farm co-operatives.

II. Draw cartoons illustrating:

1. Natural hazards which beset the farmer.
2. Unfortunate aspects of farm tenancy.
3. Dependence of city on farm and of farm on city.

III. Read aloud in class selections from

1. Goldsmith—*Deserted Village.*
2. Burns—*A Cotter's Saturday Night.*
3. Whittier—*Snow-Bound.*

Students should note the economic and social contrasts with today, and subsequently write them down. These comments should be read aloud in class and compared.

IV. Have a group visit a farm or number of farms in or near your community—include a so-called model farm if there is one. Report on kinds of crops and methods of farming. Are there evidences that the farmers are using any of the methods mentioned in this chapter in order to increase the fertility of the soil or to prevent erosion?

V. Have a committee secure a speaker, if possible, who is qualified to talk on the work of the government in combating plant diseases and insect attacks.

VI. Consult current magazines and newspapers to discover interesting articles on various phases of agriculture. Assemble articles and illustrative material in your scrapbook.

VII. Secure movies, if possible, dealing with phases of the agricultural problem.

VIII. Have a committee look up and report to the class on some of the ways in which the U. S. Department of Agriculture aids the farmer.

Collateral Readings

Arnold—*Problems in American Life;* Chap. XXXVIII, "Rural Problems."

Atkins and Wubnig—*Our Economic World;* Chap. II, "The Farmer."

Brainard and Zeleny—*Problems of Our Times;* Vol. I, Chap. III, "Agricultural Decline"; Vol. II, Chap. III, "Agricultural Control."

Burch—*American Economic Life;* Chap. XXII, "American Agriculture"; Chap. XXIII, "Problems of Soil Fertility"; Chap. XXIV, "New Forms of Plant and Animal Life."

Eldridge and Clark—*Major Problems of Democracy;* Chap. V, "Problems of Rural Life."

Faulkner and Kepner—*America, Its History and People;* Chap. XIX, "The Agricultural Frontier"; Chap. XXIV, "The Embattled Farmer"; pp. 753–759, "What the Hard-driven Farmer Wants."

Marshall—*Readings in the Story of Human Progress;* pp. 77–87, "The Effects of Machinery upon Rural Life."

McFee—*How Our Government Is Run;* Chap. XII, "The Department of Agriculture, Uncle Sam as a Farmer."

Perret—*Man's Work and World;* Chap. XV, "The Farmers, Producers-in-Chief."

Towne—*Social Problems;* Chap. XV, "Conservation in Agriculture."

ADVANCED READINGS

BEARD and BEARD—*The American Leviathan;* Chap. XVI, "Agricultural Interests."

BOGART—*Economic History of the American People;* See Index.

DURAND—*American Industry and Commerce;* Chap. VIII, "Agriculture and the Foodstuffs Industries."

ELY—*Outlines of Economics;* Chap. XXIX, "Agricultural Problems."

KOLB and BRUNNER—*A Study of Rural Society: Its Organization and Changes.*

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Chap. XIX, "Agricultural Problems."

PRESIDENT HOOVER'S COMMITTEE—*Recent Economic Changes in the United States;* Vol. II, Chap. VIII, "Agriculture."

SIMS—*Elements of Rural Sociology.*

REFERENCES

State Departments of Agriculture—*Bulletins* and *Reports.*

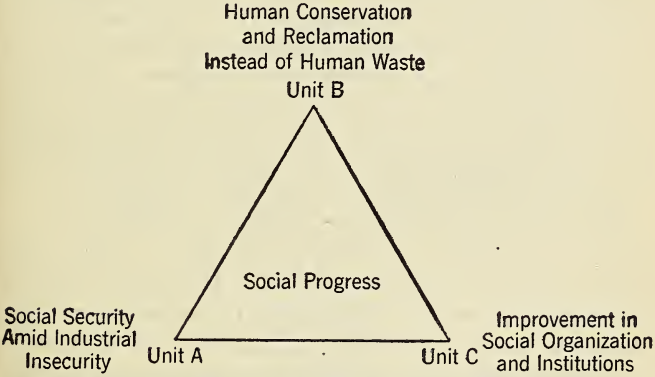
Statistical Abstract—See Index.

United States Department of Agriculture—*Bulletins, Reports* and *Yearbooks.*

PART THREE

SOCIAL ASPECTS OF MODERN CIVILIZATION

Unit A. Problems of Social Security
Unit B. Problems of Human Conservation
Unit C. Improving Social Organization and Institutions


Human Conservation and Reclamation Instead of Human Waste
Unit B
Social Progress
Social Security Amid Industrial Insecurity
Unit A
Unit C
Improvement in Social Organization and Institutions

The Three Angles to the Problem of Social Readjustment

PREVIEW TO PART THREE

SOCIAL ASPECTS OF MODERN CIVILIZATION

Loving kindness is greater than laws; and the charities of life are more than all ceremonies.—The Talmud.

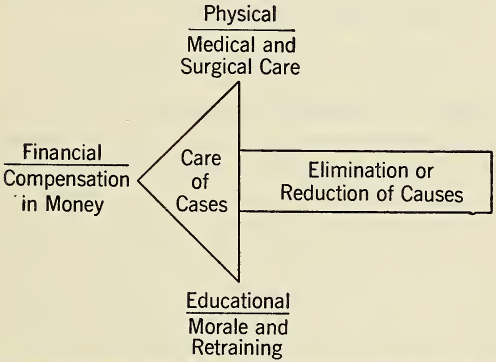
To pity distress is but human; to relieve it is Godlike.—Horace Mann.

Most economic problems have social effects, and many require political action by the state. It will be remembered that the plan of our text is first to treat fundamental economic problems of modern civilization and then to proceed to an analysis of important social problems. Although some of these social problems, like crime and poverty, have afflicted man for centuries, others, like industrial injury and unemployment, had their origin in the sweeping changes of the Industrial Revolution.

Part Three, Social Aspects of Modern Civilization, is, like the preceding part, divided into units. Unit A contains a group of chapters devoted to the central topic of the search for social security; it is the sequel to our discussion of economic insecurity in Part Two. Unit B treats the related topic of social efforts toward human conservation; it is the sequel to our discussion of the conservation of natural resources in Part Two. Unit C contains a group of chapters concerned with the general improvement of our social organization and institutions; in this final unit of Part Three we pass from a discussion of certain problems of social control to a consideration of some possibilities of social progress.

UNIT A. PROBLEMS OF SOCIAL SECURITY

Chapter XIX. Eliminating Child Labor and Protecting Women in Industry
Chapter XX. Specters of Industrial Injury, Illness, and Unemployment
Chapter XXI. Recent Declarations of War against Poverty


Physical
Medical and Surgical Care
Financial
Compensation in Money
Care of Cases
Elimination or Reduction of Causes
Educational
Morale and Retraining

Adapted from Patterson and Scholz—"Economic Problems of Modern Life"

Spear of Defense against Industrial Accidents

CHAPTER XIX

ELIMINATING CHILD LABOR AND PROTECTING WOMEN IN INDUSTRY

Objectives:

(1) To examine the nature of child labor, its causes, effects, and some efforts that have been made to prohibit it.

(2) To point out the nature and extent of woman's work outside the home and efforts to improve the working conditions of women.

(3) To show the evils of sweatshop labor and the efforts that are being made to eliminate it.

A. The Problem of Child Labor

1. Effects of Industrial Revolution. The Industrial Revolution produced many undeniable advantages. It brought us greater wealth, a higher standard of living, more leisure, greater educational opportunities, and, in general, a degree of well-being unknown to earlier generations. Despite these advantages, however, the changes which have been taking place with such rapidity since the spread of the factory system have created grave problems. Among the problems which have had the most far-reaching social consequences are those relating to the gainful employment of women and children in industry.

2. Emergence of the Child-Labor Problem in England. Child labor first emerged as a problem in England in the early days of the factory system. Machinery in the textile mills could be operated with very little skill or strength; consequently there was a demand for cheap, unskilled labor. Pauper children—many of them very young—were a convenient source of this labor and were exploited on a large scale by English industrialists. These child workers were for the most part gathered from the orphanages. They were bound out or legally assigned to the factory owners who became responsible for their "welfare."

The lot of these youthful workers was not a happy one. Their working day often extended from dawn to dark; some shifts worked all night. These unhappy children were not only forced to work under wretched conditions but were also abused when their strength failed. The machinery of the period was unguarded and accidents were frequent. Apprenticed children were provided with inadequate food of a coarse quality and were housed in large barracklike buildings with poor accommodations. Their labor was not limited to factories; they were also employed in the mines where they were required to push loaded cars along narrow tunnels and carry heavy bags of coal from the pits to the surface. The story of the pauper children employed in the English mines and factories is a tragic chapter in the industrial history of England.

3. **British Child-Labor Legislation.** The English people were slow to realize the full significance of the terrible conditions prevailing among the child workers. Finally, however, public opinion became aroused. In response to demands for action, Parliament made an investigation and the ghastly details were revealed. Efforts to remedy the situation did not go unopposed. Industrialists bitterly fought reform proposals, and stoutly maintained that any interference on the part of Parliament would imperil the industrial supremacy of England.

Despite this opposition, Parliament passed a law in 1802 which limited the work of children in the cotton mills to twelve hours a day. Later laws attempted to improve still further the condition of the unfortunate child workers. In 1833, Parliament prohibited the employment of children under nine years of age, and limited the work of children between nine and thirteen years of age to eight hours a day. Night work was forbidden for all children; and the working hours of young persons between thirteen and eighteen years of age were limited to twelve hours. In 1842, Parliament prohibited work in mines by boys under thirteen. In 1847, legislation was enacted which led to the establishment of the ten-hour day. In 1920, child labor in Britain was banned.

In recent years, however, the industrialization of other countries, especially those in the Orient, has revealed miserable conditions of child labor which are said to resemble those in England during the early days of the factory system.

4. **Emergence of the Child-Labor Problem in the United States.** With the development of the textile industry in New England child labor appeared in the United States. Although the conditions in our early American factories were not so miserable as those which had prevailed in English factories, nevertheless they were far from ideal. Children worked twelve, thirteen, and fourteen hours a day under conditions injurious to their health.

The employment of women and children was rarely opposed by the public opinion of the period. Some influential citizens felt that it was a desirable way of increasing the national wealth. It was also in keeping with the Puritan tradition which considered idleness a sin. Hours were long and wages were low. Factories were poorly lighted, in most cases insanitary; machinery was not equipped with devices to safeguard the workers against industrial accidents.

5. **Meaning of Child Labor.** Child labor, as commonly understood, refers to work by juveniles that is carried on outside the home: in factories, mines, fields, and sweatshops. A more precise definition is difficult to formulate,

because enlightened public opinion has gradually raised the concept of working children to ever higher levels; that is, from twelve or thirteen years to fifteen or sixteen years and more recently to eighteen years. Whatever age limit is fixed, however, child labor may be defined as a form of exploitation which prevents the normal development of growing children during the years when every opportunity should be provided for recreation, education, physical growth, and the development of qualities of good citizenship.

6. Why Society Desires to Eliminate Child Labor. On the whole, child labor is detrimental to the child, to society, and to industry. The concern of society in child labor, shown by the efforts that have been made to eliminate this evil, is an indication of social progress.

Even under favorable working conditions, child labor may be injurious. Childhood is a period of physical growth requiring an abundance of fresh air, freedom, and activity. It is also a period of mental growth and development. Performing the same monotonous operation over and over is a poor substitute for self-expression and intellectual training. Again, in the factory the moral atmosphere of the child's surroundings is frequently bad, and he becomes acquainted with many existing evils before the age of innocent childhood has passed.

Then, too, child labor has injurious effects on society. It tends to break up family life by taking the child out of his normal place in the home. The young wage earner very quickly tends to become independent of parental authority. His opportunity to rise is limited, and he becomes accustomed to low wages and equally low standards of living. It is also well to remember that this army of child laborers will become the fathers and mothers of the next generation, and that they are not receiving proper training for their future duties in society.

Finally, a word should be said of the effect of this problem on industry. Child labor, in the long run, is not always the cheapest labor. It lowers the efficiency of the worker, for, generally speaking, every dollar earned before the age of fourteen is taken several-fold from later earning capacity. Moreover, the labor of children is wasteful. They are unreliable and their carelessness is a frequent cause of accidents.

7. **Why Child Labor Persists.** A number of factors have been responsible for the continued existence of child labor. Use of machines and minute division of labor have reduced the demand for skilled workers. Many mechanical operations require little strength and intelligence; children can be secured to perform these operations at a low wage.

Perhaps the most important cause of the persistence of child labor is poverty. In our study of the distribution of the national income we learned that even during periods of prosperity, there is abject poverty among large numbers of our people. When the family income is so low that a decent standard of living cannot be maintained, parents are tempted, in some cases forced, to send their children out to seek employment.

Ignorance and indifference may also account for the persistence of child labor. Parents may be unaware of the possible effects of child labor on the health, morals, and economic welfare of their children. When the public is indifferent, it is relatively easy for the selfish employer or the greedy parent to take advantage of helpless children. Public indifference also tends to encourage laxity on the part of officials charged with the enforcement of compulsory-education and child-labor laws.

The children themselves are a factor in the existence of child labor. Through temperamental maladjustments and mental deficiencies some children are not able to fit into the school environment. There are also children who, not seeing the value of remaining in school, become impatient under the restraints of the classroom. They eagerly welcome the opportunity to earn a few dollars a week in industry, little realizing that the employment, which represents freedom to them when they leave school, is, in reality, a form of bondage which will keep them enslaved throughout their lives. There is a possibility that this situation may soon be improved. A hopeful sign is seen in the efforts of educators to make the curriculum more attractive and to adjust it to the varied needs of all boys and girls.

8. Extent of Child Labor in the United States. Before 1870, no attempts were made by the government to determine the number of child workers. Consequently we have no way of knowing the extent of child labor before that date. Even the records which we have today cannot be considered altogether accurate, because of the fact that large numbers of children are employed illegally and therefore not reported in the census.

According to the United States census for 1910, the number of children from ten to fifteen years of age gainfully employed was almost two millions, or 18.4 per cent of the total population between these ages; in 1920, there were only slightly over one million children from ten to fifteen years of age employed, or 8.5 per cent of the total population between these ages; in 1930, the number of gainfully employed children from ten to fifteen years of age had declined to 667,118, or 4.7 per cent of all persons between these ages. Estimates from other sources of the number of children under sixteen years of age gainfully employed in 1939 varied from 850,000 to over a million.

9. Distribution of Child Labor. (*a*) *Geographical.* The number of child workers has varied in different parts of the country. Large numbers of children were employed in the New England and Middle Atlantic States and later in the South where they engaged in agriculture and in factory work. Fewer gainfully employed children were to be found in the West and in the North Central States.

(*b*) *Occupational Distribution.* Child labor prevails in a variety of occupations. It is said to appear wherever there is no public sentiment or legislation to restrict it. The 1930 census showed that agriculture claimed the largest number of child workers, with the textile industry holding second place. Large numbers of children are found in other forms of manufacturing, in trade, in domestic and personal service, and in clerical work.

10. Social Control through State Action. The first state law relating to child labor was passed by Massachusetts in 1836. This law dealt not with working conditions or hours of work, but with the education of children employed in industry. In 1842, Massachusetts limited the work of children in factories to ten hours a day.

Subsequently, other states enacted child-labor legislation. It was not until the beginning of the twentieth century, however, that any strong impetus was given to the elimination of child labor by state governments. In 1903, Illinois passed a noteworthy law which required that children under fourteen years of age should be kept in school and prohibited from work in factories. The Illinois law provided an incentive for the enactment of child-labor legislation in other states.

While some states had laws which provided adequate protection for children, other states had poor laws and made little effort to enforce them. This lack of uniformity worked a hardship on manufacturers in those states which not only possessed good labor laws but also saw that these laws were enforced. They were compelled to compete with employers who hired children to work for long hours at low wages.

11. Social Control through Federal Action. (*a*) *Early Legislation.* For many years a sentiment had been growing in favor of federal action. It was strongly felt that the only remedy for the deficiencies of state legislation was the enactment of a federal child-labor law. In 1916, Congress passed the Child Labor Act. The Federal Government here attempted to control child labor through its power to regulate interstate commerce. This law forbade the shipment of goods in interstate commerce by concerns which employed children in violation of the law. Despite the high hopes of those who had so ardently supported this measure it was declared unconstitutional by the Supreme Court of the United States in 1918. The Court held that the federal law of 1916 was an unwarranted interference with the power of the state governments to regulate manufacture within their own borders.

Another act was passed by Congress in 1918. The provisions of the new act were similar to those of the act of 1916. In this case, however, Congress did not forbid the concerns to ship in interstate commerce goods which violated the provisions of the act, but imposed a tax of 10 per cent upon the net profits of concerns engaged in interstate commerce which employed child labor. Again in 1922 the efforts of the Federal Government to regulate child labor were thwarted by a 5 to 4 decision of the Supreme Court.

(*b*) *Constitutional Amendment.* The decisions of the Supreme Court expressed the judicial viewpoint that Congress did not possess the power to regulate child labor. The only remedy in this case therefore lay in an amendment to the Constitution. Accordingly, in 1924, Congress passed a proposed child-labor amendment by the necessary two-thirds majority in both houses.

This proposed amendment provided that "the Congress shall have the power to limit, regulate, and prohibit the labor of persons under eighteen years of age." It also provided that "the power of several states is unimpaired by this article except that the operation of state laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress.''

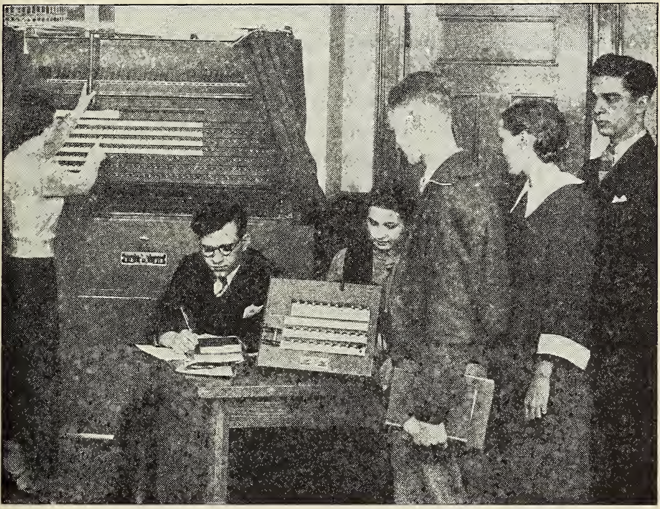
Ratification at first proceeded slowly. Up to 1932, only six states out of a necessary thirty-six had formally approved the amendment. With the New Deal, however, interest in the amendment was revived. On January 1, 1939 it needed ratification by only eight states. No time limit was set for the ratification of this amendment, and a state which at one time voted against it might at some future time reconsider and ratify the amendment.

Opponents of the proposed child-labor amendment object to it on various grounds. Some feel that a national amendment would be difficult to enforce in the far-flung territory of the United States, with its forty-eight separate entities or states. Others fear that it would place too much power in the hands of the Federal Government. In fact, there are some who maintain that this amendment would give the Federal Government dictatorial power over the home and interfere with parental authority. There are also those who consider the age limit too high. It should be kept in mind, however, that the proposed amendment is merely an enabling measure, which was drawn up for the purpose of giving Congress authority to pass a child-labor law for workers under eighteen years of age. Such a federal child-labor law might specify any age under eighteen years.

(*c*) *Later Federal Acts.* The National Recovery Act of 1933 instituted industrial codes which forbade child labor. As this act was declared unconstitutional in 1935, these federal prohibitions of child labor became powerless.

The latest federal prohibition against child labor is that included in the Fair Labor Standards Act, which went into operation in October, 1938. It forbade the employment of children under fourteen years of age in interstate commerce and regulated the gainful activities of those between fourteen and sixteen years of age by banning their employment in dangerous occupations.

12. Organizations Interested in Child Welfare. Various groups have been organized to protect and promote the interests of children in industry. In 1912, the Federal Government instituted the Children's Bureau in the Department of Labor. This bureau makes investigations and issues bulletins relative to child welfare.



Courtesy of Detroit Public Schools

STUDENTS LEARNING HOW TO VOTE

School life seems more attractive when students feel that they are meeting real-life situations.

A number of private organizations also carry on important work in behalf of child workers. One of these is the National Child Labor Committee, established in 1904. Through lectures, literature, posters, and motion pictures, this committee attempts to formulate public opinion and promote the passage of legislation favorable to the interests of children in industry.

The Consumers' League also aids child workers. This organization issues a label to those concerns which meet its requirements. Among the requirements necessary to secure a Consumers' League label is one prohibiting the employment of children.

13. Eliminating Causes of Child Labor. If the problem of child labor is to be solved successfully, attempts must be made to remove the causes of this evil. Parents should be educated to understand the necessity of keeping young people in school and also to realize the costly effects of child labor on the health, morals, and economic welfare of children. The school age should be extended, and school life made as attractive as possible. A living wage for the family and the reduction of poverty would be contributing factors in the elimination of child labor. Once the public is thoroughly aroused to the social, economic, and moral evils that follow in the wake of child labor, employers who exploit the helplessness of children will lose much of their power.

B. The Gainful Employment of Women

14. Significant Change in the Status of Women. The modern world has witnessed a remarkable change in the economic, social, and political status of women. In the past, woman's activity was bounded in most cases by the four walls of her own home. Since the home was the center of economic activity, her work there was vitally important and contributed to the welfare, not only of her own family, but of the community at large. Nevertheless, her voice was seldom heard authoritatively outside the home.

The coming of the Industrial Revolution and the expanding of modern industry broadly extended the range of woman's activities. With many of the functions formerly carried on in the home transferred to the factory, woman's work in the home has been considerably lightened and the hours necessary for carrying on this work greatly reduced. This has released women for various activities outside the home. There has been a tendency for women to seek employment in factories doing work of the same type as they had formerly done in the home.

The nineteenth amendment has given women an opportunity to express themselves at the polls; and various other legislative measures have given them a legal status almost equal to that of men.

15. Increasing Number of Gainfully Employed Women. While women in increasing numbers are engaging in civic and political activities, perhaps the most significant change has been the tremendous increase in the number of those who have found gainful employment in industry. More and more women are becoming wage earners. Today, they have invaded almost every field of employment.

WOMEN GAINFULLY EMPLOYED

YEAR	NUMBER OF WOMEN GAINFULLY EMPLOYED (10 YEARS OF AGE AND OVER)	PER CENT OF WOMEN IN POPULATION (10 YEARS OF AGE AND OVER)	PER CENT OF ALL GAINFULLY EMPLOYED
1880	2,647,000	15	15
1890	4,005,000	17	17
1900	5,319,000	19	18
1910	8,076,000	23	21
1920	8,550,000	21	21
1930	10,752,000	22	22

It would seem from these figures that during most years of the twentieth century one woman out of every five in our general population was gainfully employed, and also that one person out of every five gainfully employed was a woman.

16. Increase in Married Women Workers. An important phase of the changed economic position of women in modern life is the increasing number of married women who are gainfully employed.

MARRIED WOMEN GAINFULLY EMPLOYED

Year	Number of Married Women Employed	Per Cent of Total Number of Married Women in Population	Per Cent of Total Number of Women Gainfully Employed
1890	515,260	4.6	13.9
1900	769,477	5.6	15.4
1910	1,890,661	10.7	24.7
1920	1,920,281	9.0	23.0
1930	3,071,302	11.7	28.9

Despite the fact that women have long been economic producers in their own homes, there is a division of opinion in regard to the desirability of the gainful employment of married women in business. Some employers are indifferent to the marital status of their workers; others are frankly hostile to the gainful employment of married women. From the figures above, however, it would seem that the social attitude which for long years restricted women to work within the home is changing and that the barriers against the gainful employment of married women in outside businesses are gradually being removed. In increasing numbers women are continuing not only to enter industry but also to hold their positions after marriage. Figures show that during the past thirty years one woman out of every ten married women has been gainfully employed, and that one out of every four gainfully employed women has been a married woman.

17. Why Society Is Interested in the Protection of Women in Industry. The increase in the gainful employment of women outside the home has created stresses and strains which will undoubtedly necessitate radical adjustments in the social programs of the future.

As the mothers of future generations, women have an important function in keeping family relationships intact. It is vitally important, therefore, that the health of women workers should be safeguarded by restricting the occupations in which they may engage, by limiting their hours of employment, and by regulating their working conditions.

Investigations have shown that a large percentage of the women employed in industry today are working not because they desire ''pin money'' but because they have been forced to do so by economic necessity. Unorganized, except in a few occupations, their bargaining power is weak. This defenseless position of women makes easier their exploitation by unscrupulous employers.

Many employed women have families dependent on them for support. Theirs is the double burden of supplementing the family income by working in industry and also of performing household tasks at home. The bodily fatigue and nervous exhaustion which may result from this dual strain have unfortunate social effects as well as injurious physiological effects. When the mother is absent from home long hours each day, or returns worn out by her business cares, her household duties must be neglected or turned over to someone else. When children are left without adequate guidance or proper control, parental supervision tends to decrease and juvenile delinquency to increase.

18. Occupational Distribution of Women Workers. The principal occupations in which women have engaged are shown as follows by the 1930 census. Of the women gainfully employed, the largest number, totaling almost three and a half millions, were in domestic and personal service; there were almost two millions each employed in clerical occupations and in manufacturing and mechanical industries; over a million in professional services; almost a million each in trade and in agriculture; and over a quarter of a million in transportation and communication.

There has been a decided change in the lines of work engaged in by women since 1870. At that time, 53 per cent of the women employed were in domestic and personal service; while in 1930 the proportion (not the total number) was reduced to 33 per cent. The relative proportion engaged in agriculture declined from 21 per cent in 1870 to 7 per cent in 1930; the proportion in manufacturing and mechanical industries declined from 20 per cent in 1870 to 18 per cent in 1930. On the other hand, the proportion (as well as the number) engaged in clerical work increased from 0.4 per cent in 1870 to 19 per cent in 1930; that in professional services from

Photo from Lewis W. Hine

WOMEN FACTORY WORKERS

6 per cent in 1870 to 12 per cent in 1930; that in trade and transportation from 1 per cent in 1870 to 12 per cent in 1930.

19. Wages. The wages of women are much lower than those of men. Investigations have shown that in some industries the wages received by women are not only inadequate to maintain dependents but even insufficient to support the workers themselves. It has also been found that the wages paid to women in some occupations are less than those paid to men for the same work.

The reasons for these low wages are to be found in women's weak bargaining power, their inability to move readily from low-wage occupations to those paying better wages, and to the severe competition for positions open to women. In the past, an important factor contributing to their low wages has been the fact that women considered themselves only temporary workers loaned to industry; therefore, they did not make an aggressive stand against excessively low wages.

20. Working Conditions. Investigations of the environmental conditions under which many women work have disclosed the urgent need for remedial measures. The health of women workers has been endangered by the excessive heat and dampness found in such industries as laundries and canneries. Poor lighting, lack of ventilation, and the absence of rest rooms and toilet facilities also have a harmful effect on the health of women.

Various states have passed laws regulating working conditions and specifying minimum standards. Some large factories are models of cleanliness, good lighting, and wholesome working environment. It is often the smaller establishments in congested centers of our large cities which present the worst conditions and which are the most difficult to regulate.

21. Hours of Employment. The exploitation of women has extended to the number of hours they are employed.

They have been required in some industries not only to work long hours but also to remain for overtime and night work.

The first important state legislation restricting hours of work for women was enacted by Massachusetts in 1874. It limited the working day for women and children to ten hours. States passed later laws restricting the work of women in industry to eight hours a day. Although their hours of employment have been considerably reduced in the twentieth century, investigations show that in many states women are still permitted to work excessively long hours.

22. Minimum-Wage Laws. (*a*) *Origin.* Efforts have been made to provide a living wage for women workers through the enactment of minimum-wage laws. Minimum-wage legislation was first enacted in 1896 in Australia, whence the idea spread to other parts of the world. In the United States, minimum-wage legislation at first applied only to women workers. It was originally state legislation.

(*b*) *State Laws.* The first minimum-wage law in the United States was passed by Massachusetts in 1912. This law provided for the appointment of a commission which should investigate costs of living and determine from time to time the wage that would meet these costs. The Massachusetts law did not compel employers to pay this minimum wage. It provided for the periodical publication of the commission's report and relied on public opinion to do the rest.

Other states later passed minimum-wage laws. Most of these differed from the Massachusetts law in making compulsory the payment of a minimum wage.

(*c*) *Constitutionality.* At first, the constitutionality of mandatory minimum-wage legislation seemed well established. In 1923, however, the minimum-wage movement received a serious setback when the United States

Supreme Court in a close decision declared unconstitutional the minimum-wage law of the District of Columbia. This verdict of the Supreme Court was followed by decisions which declared unconstitutional the minimum-wage laws of Wisconsin, Arizona, Arkansas, and New York. Finally, however, in 1937, the Supreme Court reversed itself by upholding as constitutional the compulsory minimum-wage law passed by the State of Washington.

(*d*) *Federal Legislation.* In 1933, the Federal Government through the National Industrial Recovery Act attempted to establish minimum wages for various industries. This act, however, was declared unconstitutional.

The Federal Fair Labor Standards Act, which has already been mentioned, covered workers, men as well as women, engaged in interstate commerce throughout the entire nation. This law provided a minimum wage of 25 cents an hour and a maximum week of 44 hours. Overtime above this maximum was to be paid at a time-and-a-half rate. The law was progressive or elastic in that even higher wages and even shorter hours were to be made standards for workers in interstate commerce in later years. For example, the law specified a minimum wage of 40 cents an hour by 1945 and a maximum working week of 40 hours by 1940.

(*e*) *Criticism.* Opposition to minimum-wage laws has come from various sources. Some opponents maintain that a minimum wage benefits the inefficient and penalizes the efficient worker. Others see a threat to industries in those states which make mandatory the payment of a minimum wage. Labor organizations sometimes oppose governmental regulation of wages on the ground that such legislation weakens the power of organized labor and tends to make the minimum wage the maximum wage. Not the least of the objections advanced is the difficulty of determining what constitutes a minimum wage, and then the subsequent difficulty of enforcing it.

A legal problem is the determination of what constitutes interstate commerce. The Federal Fair Labor Standards Act sought to regulate intrastate industries because their raw materials and finished products were shipped in interstate commerce.

Despite these objections, studies that have been made in some states, having had experience with minimum-wage legislation, indicate that the fears of opponents of such measures are largely unfounded. They have shown that these laws have been a factor in preventing exploitation, and that by paying a wage which allows for adequate food, shelter, and other necessities, such laws have tended to promote the health and efficiency of women in industry.

C. SWEATSHOPS

23. Nature of Sweatshop Work. One of the most harmful forms of industrial exploitation is the sweatshop. The term sweatshop is used to describe a place in which work is carried on under conditions that are extremely injurious to the moral, physical, and mental welfare of the workers.

In sweatshop labor, hours are long, wages meager, work irregular, and working conditions detrimental. Sweatshop labor is a form of exploitation which preys upon the misery and helplessness of all workers, male and female, old and young. Women and children, however, have been the principal sufferers. In the past, immigrants have been an important source of sweatshop labor.

Sweatshops are usually found in congested industrial centers where a large supply of unskilled labor is available. The work is carried on in small shops or in the homes of the workers. Although it is a modern form of exploitation, the sweatshop is not a part of the factory system. It is said to be a survival of the small-shop system of the handicraft stage of production. The sweatshop, however, exhibits characteristics far different from those of the handicraft shop.

Sweatshop methods have been found in cigar plants, laundries, bakeries, the manufacture of artificial flowers, candy, and paper boxes, and in other lines of work. For years the clothing industry was one of the worst offenders in the use of sweated labor. The cloth for garments was cut under the supervision of the manufacturer and let out on a contract basis to be sewed and finished. The contractor then distributed the cloth among the sweatshop workers, who were paid various sums per piece of work. The sweater's profit lay in his ability to drive hard bargains with individuals seeking work, who might be paid any sum below the contract price received by the sweater himself. In general, the amount paid was so low that the sweated workers were obliged to toil long hours at a high speed in home or shop in order to earn a pitifully small wage.

The close confinement of many people in wretched surroundings is a menace to the health of the workers themselves and to the community at large. Sweatshop workers suffer from poor eyesight, diseases of the lungs, and mental and nervous ills. Conditions prevailing in sweatshops also spread communicable diseases.

24. Why Sweatshops Exist. The existence of the sweatshop is due largely to the same factors which encourage the employment of women and children. Because the work requires little skill there is severe competition for all available jobs. Individuals who must resort to this employment constitute a defenseless class of people, including, as they do, women, children, aged persons, and cripples. These workers have been without effective organization, generally without any organization whatever. Poverty and necessity compelled them to accept employment on any terms of their employers.

Seasonal work has been another factor responsible for the existence of the sweatshop. Manufacturing activities in some industries are concentrated in a particular season of the year. Instead of installing expensive machinery which might remain idle for many months of the year, manufacturers find it cheaper to send the work out on a contract basis during the busy season. This work is often done in the sweatshops of contractors or the homes of workers.

25. Eliminating Sweatshops. Sweatshops have been difficult to eliminate, for they are numerous, small, and located in private homes or tenements. Hidden away, as they frequently are in the congested sections of our large cities, they have been hard to locate and to inspect. Threatened with prosecution, their proprietors can move quickly and easily from place to place. Much progress has been made in some states, however, by requiring licenses of all manufacturers and contractors, and by providing frequent and thorough inspection of all places of employment.

Valuable work has been done by a number of agencies which seek to influence public opinion against sweatshops. The Consumers' League makes a positive contribution in calling attention to articles manufactured under satisfactory working conditions.

Minimum-wage legislation has also been employed as a weapon against the sweatshop. In fact, the primary purpose of minimum-wage legislation was to prevent sweatshop conditions.

Organized labor has been perhaps the most effective force in reducing the evils of sweatshop labor by opposing industrial home work.

Summary. Child labor is detrimental to the child, to society, and to industry. Nevertheless, the evil persists.

The factors which have been responsible for the existence of child labor are the lack of skill required for the performance of many mechanical operations in industry, the demand of employers for cheap labor, the poverty or greed of many parents, public indifference, and temperamental maladjustments of some children to school life.

The child-labor problem first emerged in England after the Industrial Revolution. It appeared in the United States with the development of the textile industry in New England, and later spread to other industries and communities. Children, as well as women, worked long hours, under wretched conditions, for pitifully small wages. They were found in large numbers in agriculture, in manufacturing, in trade, in domestic and personal service, and in clerical work.

Since 1910, the number of children gainfully employed has declined. This has been due, in large measure, to an aroused public opinion which has led to the enactment of state and federal legislation. Two federal child-labor acts were declared unconstitutional. Consequently, in 1924 Congress passed a child-labor amendment to the Constitution. The ratification of this amendment is proceeding slowly. Meanwhile the Fair Labor Standards Act prohibiting child labor was put into effect in 1938.

The status of women has changed significantly in the last hundred years. Perhaps the most striking development has been the tremendous increase in the number of women gainfully employed. Because of the social, as well as economic, aspects of large numbers of women in industry, farsighted individuals and groups have recognized the importance of restricting the occupations in which women may engage, of limiting their hours of employment, and of regulating their working conditions.

In order to secure a living wage for women workers, several states passed minimum-wage laws. In 1933, through industrial codes under the National Recovery

Act, and in 1938, through the Fair Labor Standards Act, the Federal Government sought minimum-wage and maximum-hour regulation. Much of this legislation, however, has been challenged in the courts.

One of the most injurious forms of exploitation has been the sweatshop which has preyed especially upon the helplessness of women and children. Sweatshops have been notorious as menaces to health. While sweatshops have been difficult to eliminate, nevertheless their number is gradually being reduced through minimum-wage legislation and through the activities of state inspectors, private agencies, and labor organizations.

Word Study: Pauper children; "bound out"; status; exploitation; maladjustments; textile industry; ratification; juvenile delinquency; unscrupulous; minimum wage; constitutionality; penalizes; sweatshop; "contract basis."

QUESTIONS ON THE TEXT

1. Explain the meaning and social significance of child labor.
2. What are some causes of child labor?
3. Show the rise of the child-labor problem in England.
4. Discuss some legislative measures enacted by Parliament in an effort to remedy the child-labor situation.
5. With what industry in the United States did child labor first become associated? Why?
6. What lines of work employ children in large numbers today? Why?
7. What states led in the enactment of child-labor legislation? How?
8. What caused the sentiment in favor of federal regulation of child labor?
9. What are the principal provisions of the proposed child-labor amendment to the Constitution? What are some of the objections to such an amendment?
10. Discuss the work of organizations seeking to improve the lot of child workers.
11. Explain some significant changes in the status of women in the last hundred years.
12. Why is society interested in protecting women in industry?

13. Discuss the low wages of women in industry. Give reasons.

14. Trace the progress of minimum-wage legislation in the United States.

15. What is meant by sweatshop labor? Why does society deplore it? What factors have contributed to the existence of sweatshops? What factors are contributing to their reduction?

Application and Interpretation

1. Has your state any legislation regulating or restricting the labor of child workers? If so, what? Has your state ratified the proposed child-labor amendment?

2. In your opinion, what are the most serious social effects of child labor?

3. It has been said: "Child labor is cheap labor." Explain how child labor might be more expensive than adult labor.

4. How might child labor be conducive to juvenile delinquency?

5. Is all labor performed by children necessarily undesirable? Explain.

6. Is there any connection between compulsory education and child labor? Explain.

7. In your opinion does the employment of women have an influence on home life? On divorce? On juvenile delinquency? Why or why not?

8. What economic conditions in your community and state make it easy for women to leave the home and engage in gainful employment? Explain.

9. Are any of the factors conducive to sweatshop labor present in your community? What? Why?

10. Has your state passed any legislation limiting the hours of work by women? If so, what?

Suggested Activities

I. Prepare talks on the following topics:
1. Pauper children in English industry.
2. Causes and effects of child labor.
3. Progress of the proposed child-labor amendment.
4. Changed economic, social, and political status of women.

II. Draw cartoons illustrating:
1. Changed economic status of women.

2. Evils of sweatshop labor.
3. Arguments for minimum-wage laws.
4. Unfortunate effects of child labor.

III. Have a committee consult recent magazines, newspapers, and the *Readers' Guide to Periodical Literature.* Read the articles which seem to give the most interesting treatment of the current phases of the subject discussed in this chapter, and present a digest of them to the class.

IV. Prepare debates on the following subjects:

1. The proposed child-labor amendment should be ratified.
2. Married women should be excluded from gainful employment.

V. Have a committee look up and report to the class on the provisions of the Fair Labor Standards Act which relate to children.

VI. Have a committee make a survey of your community in order to determine the kinds of work in which children engage. Report findings to class and use report as basis for discussion.

COLLATERAL READINGS

BURCH—*American Economic Life;* Chap. XVII, "Problems of Industry."

ELDRIDGE and CLARK—*Major Problems of Democracy;* Chap. II, "Woman's Place in Social and Economic Life."

ELLIOTT, MERRILL, WRIGHT—*Our Dynamic Society;* Chap. XII, "Women in Industry"; Chap. XIII, "Children in Industry."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XXI, "The Problem of Labor."

HART—*Visualized Problems of American Democracy;* Chap. IX, "The Industrial Labor of Women and Children."

HUGHES—*Problems of American Democracy;* Chap. XIII, "Safeguarding the Workers."

JOHNSEN—Child Labor.

TOWNE—*Social Problems;* Chap. IV, "Child Labor"; Chap. V, "Women in Industry"; Chap. VI, "The Sweating System."

ADVANCED READINGS

ABBOTT—*The Child and the State.*

BEARD—*A Century of Progress;* Chap. X, "The Changing Position of Women."

CARLTON—*Labor Problems;* Chap. XX, "Women and Children in Industry"; Chap. XXI, "Labor Legislation."
GILLETTE and REINHARDT—*Current Social Problems;* Chaps. XXIII and XXIV, "Child Welfare."
LUMPKIN and DOUGLAS—*Child Workers in America.*
MANGOLD—*Problems of Child Welfare;* Part IV, "Child Labor."
PATTERSON—*Social Aspects of Industry;* Chap. XI, "Women and Children in Industry."
PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. I, Chap. XIII, "The Family and Its Functions"; Chap. XIV, "The Activities of Women Outside of the Home."
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CHAPTER XX

SPECTERS OF INDUSTRIAL INJURY, ILLNESS, AND UNEMPLOYMENT

Objectives:

(1) To show the nature and significance of industrial hazards.

(2) To examine the various forms of social insurance as a means of combating industrial hazards.

A. Industrial Hazards

1. Source and Significance of Industrial Hazards. The business of getting a living has always been attended with uncertainty and danger. Our modern industrial system, however, has raised up three dread specters of unusual social significance, which constitute a sinister triple threat against the economic security and well-being of the American worker. These specters are unemployment, industrial accident, and occupational disease. Because of their effects on the individual and on society, serious efforts are now being made to reduce them and to lessen their consequences.

Unemployment is one of the most common of these dread specters in modern life. With large numbers of our people earning wages which are barely enough to supply the necessities of life, the loss of employment spells disaster to the worker and his family. Industrial accidents may result in death, in permanent injury and consequent loss of employment, or in partial disability necessitating temporary loss of employment. In some occupations the workers are constantly exposed to conditions which injure their health and reduce their efficiency.

Occupational diseases causing death or permanent disability exact a heavy toll from American workers.

2. Industrial Accidents. The high record of achievement in productive enterprises in the United States has not been attained without inflicting irreparable injury upon large numbers of American workers. It has been well said that modern machinery possesses not only tremendous productive power but also tremendous potential destructiveness.

The rate of industrial accidents in the United States has been particularly high. While complete figures are not available, it has been estimated that from 20,000 to 35,000 workers are killed in industry each year, and that the total number of industrial accidents runs into the millions. It is also estimated that industrial accidents account for an annual loss of approximately 250 million working days, and for a financial loss of approximately a billion dollars a year.

The responsibility for this condition rests on both the employer and the employee. The worker is sometimes careless, indifferent, and ignorant; while the employer has often been negligent in supplying safety devices and in strictly complying with the law.

3. Dangerous Trades. Industrial accidents are conveniently classified according to occupation, as railroad, mine, factory, and building accidents.

(*a*) *Railroad Accidents.* In recent years the railroads have made a deliberate effort to improve their safety record with noteworthy results. The Association of American Railroads reports that "a railroad employee in 1937 had eight chances of getting hurt in a million working hours compared with 31 chances, 15 years ago." Steel coaches, improved signal systems, automatic couplers, and other safety devices have been responsible for the improved safety record.

Remedial measures, however, should apply to the workman as well as to the company. The employee must be constantly on the alert for his own safety and for that of others. From the railroad point of view it is wasteful, and from that of the public it is hazardous to employ ignorant, careless, or unsteady workmen. On the other hand, hours of work should not be so long or continuous as to produce fatigue and lowered efficiency on the part of the employees.

(*b*) *Mining Casualties.* The number of accidents revealed each year by the available mining statistics places mining high in the list of dangerous occupations. According to figures presented by the American Association for Labor Legislation, over 1500 lives are lost each year in mining accidents; this represents a ratio of almost two fatalities for every thousand employees.

Although coal mining in England and in some of the other mining centers of the world is more difficult than that in the United States, nevertheless the rate of fatal accidents is higher in the United States. The fact that some mining operations in the United States have been carried on with no fatalities over a period of years would indicate that many mining accidents are preventable.

The lack of uniformity in state safety laws and in mining standards, and also the lack of proper inspection and enforcement in some states having adequate safety legislation have been largely responsible for the high accident rates in mining. In contrast, the railroads, being engaged in interstate commerce, are under federal control; the Interstate Commerce Commission enforces uniform requirements for safety and compiles reliable statistics regarding railroad accidents.

Among the precautions recommended for reducing mining accidents are the use of safety lamps and the proper support of small passageways. "Rock dusting" —spreading finely ground rock in coal mines—has been found an effective method of preventing explosions from firedamp. Great care should be used in the selection, storage, and use of explosives for blasting purposes.

(*c*) *Manufacturing Hazards.* The number of injuries has been particularly high in the following industries: logging, slaughtering and meat packing, foundries, machine shops, sawmills, and planing mills.

The chief source of danger lies in the frequent use of unguarded machinery. Safety appliances are often discarded in the "speeding-up" process. Serious injuries have been caused by electric cranes, gears, belting, saws, mangles, and loading cars.

Most of the state governments have passed legislative measures to safeguard the workers in industry. Many states have laws requiring the inspection of factory machinery, and some have provided for the imposition of penalties on those concerns which fail to meet the standards required by law. Industrialists themselves have discovered that accidents to workers increase costs of, and delays in, operation. For this reason many of them are making greater efforts to reduce the accident rate. The American Association for Labor Legislation is doing an important work in promoting the enactment of safety legislation.

4. Occupational Diseases. Not only are workers exposed to death and serious injury from accidents, but the health of many workers is also seriously endangered by conditions which exist in certain occupations. The expression *dangerous trades* is applied to these occupations because their very nature is fatal to the health and safety of the workers. Occupational diseases may be considered from the point of view of the chief sources of danger inherent in such trades.

(*a*) *Poisonous Materials.* One source of danger lies in the poisonous character of some materials used in certain branches of industry. The effect of such work on the individual is frequently seen in the disease known as lead poisoning, which often occurs in the manufacture of white lead. This substance enters the system through the skin, or by way of the alimentary canal when the worker is not careful to wash his hands before eating. Paralysis, insanity, and finally death may result. The mortality in this trade has been greatly reduced by forbidding such practices as dry rubbing, and by insisting on certain precautionary measures.

Workers with phosphorus frequently contract a characteristic disease, singularly fatal, known as phosphorus or ''phossy'' jaw. Radium paint, used to illuminate the dials on watches and clocks, is even more dangerous to touch. Workers are sometimes poisoned by arsenic which is commonly used in the preparation of certain paints and dyes. Anthrax, a disease which often causes death, is occasionally contracted by workers in the tanning industry.

(*b*) *Dusts and Gases.* A second source of danger lies in those industries which expose the lungs to an excessive amount of dust. Nature has furnished protection for occasional exposure to a normal amount of ordinary dust, but continual exposure to this irritant is extremely dangerous. The lungs become spotted with foreign particles which make fearful ravages upon the delicate membrane. Tuberculosis and other diseases of the lungs and bronchial tubes affect the respiratory organs. This dust danger is well illustrated in coal mining. However, by screening the coal wet, the amount of coal dust in the air can be reduced. A similarly pernicious effect often results from the dust generated by stonecutting, by metal grinding, and from the lint in textile mills. Suction tubes and blowers should be used to draw off this bad air from the atmosphere.

Silicosis is an industrial disease sometimes contracted by workers engaged in stonecutting or similar labor. Fine particles of silica dust are inhaled and the victim becomes predisposed to pneumonia and other diseases of the lungs. The more advanced stages of silicosis have fatal results.

Certain gases and fumes may also be poisonous. In such cases, the work should be done in a helmet, or under a hood with a forced draft. In many chemical trades the work is of a dangerous character because of poisonous fumes and materials, as well as because of dangerous acids and explosives.

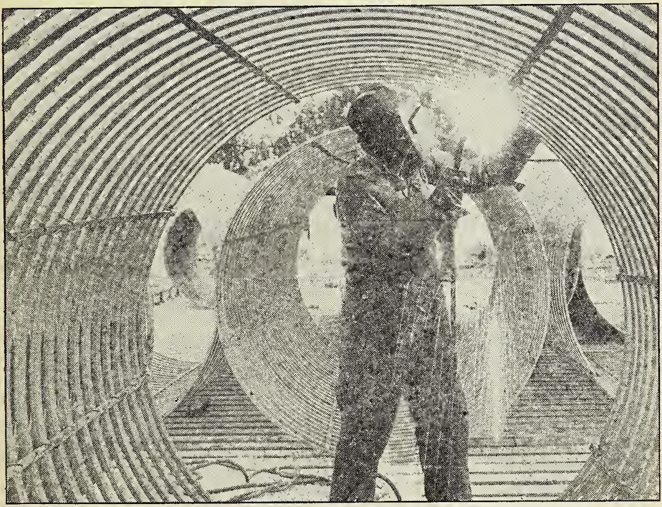

Photo from Soibelman Syndicate

Occupational Hazards

A welder at work on pipes for the San Francisco water system. This man would be unable to work without the protective helmet.

(c) *Other Injurious Factors.* Insanitary conditions, poor lighting, and the necessity of maintaining the same position for long hours may have injurious effects on the health of the worker. Serious strains may also be imposed upon the heart and other vital organs by carrying loads too heavy for the strength of the worker.

Another source of danger lies in sudden changes of temperature or air pressure. When steel workers or those employed near hot furnaces go outdoors into freezing temperatures, they are likely to become an easy prey to pneumonia. Workers underground in mines, tunnels, and subways often develop peculiar diseases due to sudden and frequent changes of air pressure.

Although higher wages are sometimes paid to workers in these and similar occupations because of their dangerous character, society must still further protect them. The law must prescribe precautionary measures and insist on their enforcement. Short hours with frequent periods of rest are essential to the health and safety of workers in dangerous and exhausting occupations.

(*d*) *State Legislation.* Most states have enacted legislation relating to occupational diseases as well as to industrial accidents. One of the serious drawbacks to improving conditions is the lack of uniformity in such laws, and also the lack of adequate inspection of factories and proper enforcement of existing laws.

5. Unemployment. The hazards of industrial accidents and occupational diseases are limited chiefly to workers engaged in dangerous trades. The specter of unemployment, however, confronts almost every wage earner. Even in periods of normal business activity, unemployment on a large scale is one of the characteristics of our modern economic order. In periods of depression the number of the unemployed reaches an enormous figure.

(*a*) *Costs.* The costs of unemployment are heavy to the employee, to the employer, and to society. To the employee it means loss of wages and a reduction in the standard of living. It injures the worker's morale and unfits him for the discipline of steady work. It also breaks up the organization of the employer. Efficiency is lowered by a changing staff of workers. The cost of "breaking in" a new man is considerable. The cost to society of unemployment may be read in an increased rate of poverty and crime.

(*b*) *Causes.* Some unemployment may be attributed to personal causes in the individual himself. Among these causes are old age, sickness, intemperance, shiftlessness, or incapacity. Such personal defects, however, do not create the problem of unemployment, but merely determine its incidence, that is, on whom the burden falls.

The great causes of unemployment are to be found in our modern economic system itself. Division of labor is a complex mechanism, and modern industries are vitally interdependent. A strike of the London dock hands may cause loss of employment to the millers of Minneapolis. Again, there may be a temporary oversupply of some commodity: too many individuals may have been working in one industry, and misdirected production may have resulted. Certain towns in the Middle West, for example, have been characterized as steel towns, or automobile towns. If retrenchment strikes one such industry, a serious loss of employment takes place.

Another important cause of unemployment is to be found in frequent changes in demand. A new type of shoe or a new style of cloth may mean the scrapping of old machinery and the construction of new. In general, the production of luxuries is characterized by a less stable demand than the production of necessities.

Again, the invention of new machinery causes unemployment to some workers who must find new means of livelihood. This is called technological unemployment.

(*c*) *Industrial Depressions.* The problem of unemployment is intensified in periods of industrial depression. The depression of the early 1930's was particularly severe, and resulted in an unprecedented amount of unemployment. Suffering was acute. Private charitable organizations were inadequate to provide relief for the vast number of unemployed. The local, state, and federal governments found it necessary to put forth tremendous efforts to meet the situation. The National Government appropriated enormous sums of money for relief. Vast projects were undertaken by the Public Works Administration, Works Progress Administration, Civilian Conservation Corps, and various other agencies of the government in an effort to provide employment.

(*d*) *Extent of Unemployment.* It is difficult to determine the extent of unemployment at any particular time. Although it is greatly increased in periods of general depression, there is an alarming amount of permanent unemployment.

Some estimates placed the number of unemployed during the lowest point of the great depression at fifteen million. But even in 1928, a prosperous year, it was estimated that there were four million persons unemployed.

According to the first Unemployment Census of the United States, the number of persons totally unemployed in November, 1937, was 5,821,035. In 1939, the amount of unemployment was estimated by various other agencies to be from 9 to 10 millions.

(*e*) *Remedial Measures.* With technological improvements increasing at the present rate, one of our great problems will be not only to reduce unemployment during periods of industrial depression but also to find means of caring for the chronically unemployed.

Philanthropy is a mere temporary expedient to meet an unemployment crisis. To effect a permanent remedy, changes must be made in the economic organization.

Scientific management has done much to reduce seasonal unemployment. In certain cases it is possible to dovetail seasonal industries so that constant employment is provided. Slack seasons can be used for taking inventories and for providing necessary stock.

Personnel departments have been established within an industry and employment managers trained. Scientific studies of the causes of the great labor "turnover" have been attempted. Improved working conditions, welfare work, and such democratic innovations as workers' councils have been found helpful.

A sound monetary and banking system is necessary to stabilize prices and to cushion the cycle of business depression. Extreme specialization in industry may well be avoided. Industrial education should seek not only to teach a man a trade, but also to make him an adaptable worker. Education of the public to the desirability of a stable demand will tend to reduce sudden and extreme changes in industry.

Wherever possible, the government should reserve its building and construction work for periods of economic depression. Such a plan will not only give employment when it is most needed, but it will also stimulate related industries which furnish necessary supplies.

A system of public labor exchanges has been established in some states, whereby helpful information is secured for both the worker and the employer. Thus an attempt is made to adjust the labor force to industrial conditions, and to direct it from localities of oversupply to those of undersupply. What is urgently needed is a national system of public labor exchanges which will avoid wastes and abuses by gathering necessary labor information.

B. Social Insurance

6. Meaning of Social Insurance. Industrial accidents, industrial diseases, and unemployment place unbearable burdens upon the individual wage earner and his family. Social insurance is an attempt to diffuse such risks of industry throughout society and to prevent the entire burden from falling upon a single individual or family.

The most common types of social insurance seek to provide relief against the suffering and want caused by accidents, ill health, old age, and unemployment. Invalidity insurance and mothers' pensions are also forms of social insurance.

Many types of social insurance originated in Germany, Great Britain, and the Scandinavian countries. While the movement for social security was making great headway in European countries, it proceeded slowly in the United States. Efforts to provide compensation and social insurance were criticized in the United States on the ground that they were un-American and socialistic.

Despite such opposition, however, the National Government and some of the states have, in recent years, enacted outstanding social-security laws. The depression provided a strong impetus for the social-security movement in the United States.

7. Workmen's Compensation. The first step toward social insurance was found in the Employers' Liability Act, under which an injured workman might bring suit against his employer to recover damages for the injury suffered. It was generally impossible, however, for the workman to receive any recompense for his injury, if it could be proved that such injury was partly caused by his own carelessness or by that of his fellow workers. Court action was necessary, and the sole responsibility of the employer had to be proved.

A great forward step was taken when there was passed the Workmen's Compensation Act, whereby the expense of lawsuits might be eliminated. According to this act, the injured workman automatically receives a percentage of his wages or a certain sum in proportion to the injury sustained. Even though the fault may be largely that of the workman, the employer must bear the brunt of the economic burden and in this way accept financially the risk which the laborer assumes physically. Because of this, the employer is more apt to consider the safety of his employees than formerly.

Great Britain passed its first Workmen's Compensation Act in 1897 to supersede the older Employers' Liability Act. Germany had already provided her workers with compulsory insurance against industrial accidents. In the United States, this legislation is largely a matter of state action. Workmen's compensation laws have now been enacted in almost every state of the Union. Many states include occupational diseases among the cases covered. Congress has enacted laws providing compensation for accidents suffered by industrial employees of the Federal Government, and for workers in interstate commerce.

8. Sickness Insurance. (*a*) *Burden of General Sickness.* A committee of experts has estimated that there are annually two hundred and fifty million days of sickness among the workmen of the United States. Expressed in terms of money, this means an annual cost of perhaps a billion dollars. Thus, ordinary sickness is as great a threat to wealth and welfare as industrial accidents.

(*b*) *Compensation during Sickness.* Many industrial firms have plans by which their employees receive partial wages during sickness. There are also unions and fraternal organizations which pay sick benefits.

Germany was the first nation to make sickness insurance compulsory. In 1883, a law was passed for this purpose, which applied to most wage earners. The employer pays one third, and the employee two thirds, of the cost. Insurance cards are carried by workers, and both employer and employee purchase sickness insurance stamps at the post office. Thus the government receives money premiums from which the insurance office pays sick benefits.

In 1911, Great Britain passed the National Insurance Act. Sickness insurance thereby became compulsory for most wage earners in that country. A similar system of stamps and cards was inaugurated, but the employer's contribution was relatively larger in Great Britain than in Germany. Both countries, however, provided benefits for sick workers which included money and provision for medical attendance and necessary appliances, such as spectacles and artificial limbs. Free admission to a hospital was provided, when necessary, as well as provision for maternity cases.

The necessity for compulsory health insurance in the United States has been urged by many sociologists who point out that illness is one of the most important factors in accounting for poverty. Nevertheless, little has as yet been accomplished here in this respect. Health insurance was not included in the provisions of the Federal Security Act of 1935.

9. Invalidity Insurance. Much poverty among workers has been due to physical ailments and disabilities which are not the result of industrial accidents or occupational diseases. Individuals so afflicted are not eligible for workmen's compensation benefits. Consequently provisions have been made by some states through invalidity insurance to assist these disabled workers not provided for under workmen's compensation laws.

10. Mothers' Pensions. In order to provide assistance for widowed mothers, most states have passed laws granting mothers' pensions. The United States has been a leader in the enactment of legislation of this nature. The social significance of mothers' pensions is apparent. Mothers' pensions are often the means of removing the necessity of placing children in charitable institutions or of forcing them to join the army of child workers. A poor mother is able to keep her home intact, to give her children proper parental care, and to afford them at least a minimum of educational advantages.

11. Old-Age Insurance and Pensions. Germany was the first nation to administer compulsory old-age insurance. Because of the paternalistic nature of its government, such schemes have originated and flourished in that country. This particular scheme compels the employer to see that each employee has an old-age insurance card with the proper amount of stamps affixed. These stamps represent small premiums of several cents a week, varying with the wages paid. The employer affixes the stamps which he has purchased from the government, paying half himself and deducting the other half from the employee's wages. The government itself subsidized this scheme of old-age insurance by making a contribution to the insurance fund from which benefits were paid. Before the World War these averaged almost one dollar a week for each aged recipient. Rising costs of living necessitated subsequent increases.

Great Britain in 1908 passed its Old Age Pension Law. This provided a free payment by the government, as compared with the old-age insurance plan of Germany, in which employer, employee, and government all contributed. At the age of seventy, a pension was to be paid to any needy individual provided he or she had been a British subject for twenty years and had never been either a pauper or a criminal. The maximum pension was a little over a dollar a week.

For many years old-age-insurance programs have been in operation in the United States for teachers and other government employees. Many private business concerns also have had pension programs for their aged or incapacitated employees.

During the past decade, however, many states have passed legislation to provide old-age pensions. In 1935, the movement for old-age pensions was advanced by the enactment of the Federal Social Security Law, to be discussed later in this chapter. As a result, other states passed old-age pension laws.

12. Unemployment Insurance. Unemployment insurance represents an effort not only to reduce unemployment but also to relieve the distress which attends the loss of a job. Unemployment insurance is not a free gift by the employer, nor is it a dole provided by the government. It is a prudent attempt to set aside reserves in periods of normal business activity to be used as a reserve against the hazard of unemployment. Several industrial concerns in the United States have long had programs which insured their workers against unemployment.

Compulsory unemployment insurance on a national scale was first launched by Great Britain in 1911. While some form of unemployment insurance had been in effect before that time, it had not been adequate to relieve the distress of vast numbers of the unemployed. The Insurance Act passed in 1911 provided unemployment compensation for approximately two million workers. Contributions to the fund were made by the employer, the employees, and the state. Other European countries also inaugurated national programs for unemployment insurance. The Insurance Act passed by Germany in 1927 was a noteworthy example of national unemployment insurance.

The breakdown of private voluntary systems of unemployment insurance in the United States during the depression of the 1930's turned the attention of workers, employers, and legislators to the possibilities of compulsory state unemployment insurance.

Wisconsin was the pioneer in passing compulsory unemployment-insurance legislation. The Wisconsin Act was passed in 1932 and provided for contributions from employers only. Under the terms of the Wisconsin law each business establishment provides its own unemployment reserve funds and is responsible only for its own workers. With the exception of certain excluded groups, the Wisconsin law applies to all business concerns employing ten or more workers. Each employer contributes a percentage of his pay roll to a fund which is kept on deposit with the state. An employee is entitled to an amount of unemployment insurance based on his weekly wages and the length of time he has worked. The Wisconsin plan is sometimes referred to as the American plan. The minimum weekly benefit is five dollars; the maximum, fifteen dollars. The employee may not receive benefits for more than twenty-six consecutive weeks.

13. Federal Social Security Act. In 1935, the National Government passed the Federal Social Security Act. This act was one of the most important pieces of social-insurance legislation ever enacted. There had been a growing conviction on the part of large numbers of the American people that federal action was necessary if unemployment insurance, old-age benefits, and other serious problems were to be attacked on a sufficiently large scale. The constitutionality of this act was upheld in three famous decisions rendered in 1937 by the United States Supreme Court.

(*a*) *Old-Age Assistance.* The Federal Social Security Act has provided a system of old-age insurance for all persons reaching the age of 65 years, who come under the terms of the act. Both the employer and the employee are compelled to contribute to the fund from which these benefits will be paid. Beginning in 1937, the employer subscribes 1 per cent of his pay roll, while the employee subscribes 1 per cent of his wages. This rate is later increased to 1½ per cent; then to 2 per cent; and then to

2½ per cent. The contributions finally reach a maximum of 3 per cent each in 1949 when the percentage remains fixed.

The Federal Government pays benefits to these contributors at 65 years of age. The amount of the benefit received each month by the beneficiary is based on the amount of wages he has earned between January 1, 1937, and the time when he becomes eligible for his old-age insurance payments. Benefits may not exceed $85 a month, nor be less than $10 a month. In case the worker dies before he reaches the age of 65 years, his estate will receive a payment.

(*b*) *Old-Age Pensions.* The Federal Social Security Act also made provisions for assisting the states in caring for destitute aged persons. If the state has a program for old-age pensions which is approved by the Social Security Board, the Federal Government will contribute to the support of the indigent aged a sum equal to that paid by the state, provided however that the amount does not exceed $15 a month (later increased to $20) and provided also that the person is 65 years of age or over. In order to take advantage of the federal benefits provided under this system, all states have enacted old-age pension laws.

(*c*) *Unemployment Compensation.* Another important feature of the Social Security Act is that dealing with unemployment insurance. While the Federal Government itself does not pay unemployment benefits, it seeks to encourage the various state governments to enact unemployment-insurance laws. The act requires all employers, with specified exceptions, to pay a certain percentage of their pay roll into a government fund. In 1936, the employer was compelled to contribute 1 per cent of his pay roll; in 1937, 2 per cent; in 1938 and each year thereafter 3 per cent. Up to 90 per cent of the money received from employers in a particular state may be returned to that state if it has enacted an unemployment insurance law which meets the standards set up by the Social Security Board. If a state has not made satisfactory provisions for unemployment insurance, employers therein must nevertheless pay their tax directly to the Federal Government and the state receives no benefit from this fund. Hence, the prompt passage, as previously observed, of unemployment compensation laws by all the states. Benefits received and terms imposed vary somewhat from state to state.

Almost twenty million American workers are now covered by unemployment compensation laws. Nevertheless, an even greater number remain outside its benefits. These include agricultural workers, domestics, and employees in small concerns and organizations not operated for profit.

(*d*) *Other Provisions.* Among other provisions of the Federal Social Security Act are those relating to child welfare, promotion of public health, care of the blind and the crippled, and rehabilitation of the disabled.

Summary. The modern industrial worker is beset by the hazards of industrial accident, occupational disease, and unemployment. The rate of industrial accidents has been particularly high in the United States. The industries which lead in number of workers killed or maimed each year are railroading, mining, and manufacturing. The high accident rate has been attributed to insufficient precautions in the matter of safety devices, to lack of enforcement of state and federal regulations, and in some cases to carelessness on the part of a worker or trespass on the part of an outsider.

Occupational diseases constitute another menace to the industrial worker. Health is constantly being endangered by conditions existing in certain trades or occupations. The materials used in some lines of work have properties which are highly injurious to human beings. Among these are white lead, phosphorus, and arsenic. The exposure to air that is laden with dust and other foreign particles predisposes the worker to diseases of the lungs. A particularly widespread occupational disease is silicosis.

The most common of all hazards confronting the worker today is unemployment. Even in periods of prosperity the number of unemployed has been large. In the great industrial depression the number of unemployed was said to have reached fifteen million persons.

So far-reaching have been the economic and social effects of industrial accidents, occupational diseases, and unemployment, that strong efforts have been made to provide forms of social insurance that would reduce the menace of these specters, if not ban them entirely. Among the forms of social insurance in operation today are workmen's compensation, old-age pensions, old-age insurance, unemployment compensation, sickness benefits, invalidity insurance, and mothers' pensions. Some forms of social insurance have made greater headway in the United States than have others. Old-age pensions, old-age insurance, and unemployment insurance received a strong impetus with the enactment of the Federal Social Security Act in 1935. Sickness insurance has made little headway in the United States, despite our great progress in the healing arts and medical sciences.

Word Study: Specter; casualty, mortality, fatality; hazard; silicosis; retrenchment; expedient; social insurance, compensation, philanthropy, pension; beneficiary; rehabilitation; paternalistic; subsidy, subsidized; trespass.

Questions on the Text

1. How does the rate of industrial accidents in the United States compare with that of other industrial nations? What reasons can you give for this situation?

2. Is the rate of industrial accidents in the United States

declining? If so, what are some of the causes for this decline?

3. What is silicosis? How is it contracted? What are some other industrial diseases to which workers are exposed?

4. Discuss the effects of unemployment on the worker, on the employer, and on society.

5. Enumerate some causes of unemployment.

6. How did the Federal Government attempt to relieve the suffering caused by unemployment during the depression?

7. What is social insurance? What are some common types of social insurance?

8. Discuss workmen's compensation acts. Compare with employers' liability laws.

9. What has been the record of sickness insurance in Germany? In Great Britain? In the United States?

10. Discuss the old-age insurance provisions of the Federal Social Security Act.

11. How does the Wisconsin Unemployment Insurance Act operate?

12. What was the broad purpose of the Federal Social Security Act? What effect did this act have on the enactment of state social-security legislation? Why?

Application and Interpretation

1. In your opinion, what are some of the most serious effects of unemployment? Why?

2. In your opinion does a program of compulsory unemployment insurance benefit society? Has it any dangers? Discuss.

3. What efforts have been made by your community to relieve the distress caused by unemployment.

4. Was the work of the Federal Government a factor in reducing unemployment in your community during the depression? If so, how was this work carried out?

5. What causes can you suggest for the indifference of the United States in the matter of sickness insurance?

6. In your opinion how will a program of compulsory old-age insurance benefit society?

7. Why has the United States lagged behind some other great nations of the world in a comprehensive social-insurance program?

8. What do you consider the most important feature of the Federal Social Security Act? What do you consider some of its inadequacies?

SUGGESTED ACTIVITIES

I. Prepare talks on the following subjects:

1. Extent, causes, and suggested remedies for industrial accidents and occupational diseases in the United States.
2. Social cost of unemployment.
3. Workmen's compensation in the United States.
4. Suggestions for solving the problem of unemployment.

II. Draw cartoons illustrating:

1. Effect of unemployment on the worker.
2. Effect of unemployment on the community.
3. Specter of industrial accidents.
4. Specter of occupational diseases.

III. Current Events Program. Consult recent magazines, current-events publications, newspapers, and the *Readers' Guide to Periodical Literature.* Read articles which treat the current phases of the subjects discussed in this chapter, and present a digest of them to the class.

IV. Have a committee

1. Study the Federal Social Security Act and report to the class on the different programs involved in the act.
2. Look up the laws passed by your state which make it eligible to receive the benefits of the Social Security Act.

V. Secure for bulletin board and scrapbooks clippings in the form of newspaper articles, editorials, cartoons, and other illustrative material dealing with subjects discussed in this chapter.

VI. Prepare a debate on the subject of adopting compulsory health insurance in the United States.

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CHAPTER XXI

RECENT DECLARATION OF WAR AGAINST POVERTY

Objective:

To show the significance of poverty, its causes, and efforts to prevent or reduce it.

A. The Social Significance of Poverty

1. Ravages of Poverty. It has been well said that poverty is a social disease. It destroys health, hope, and ambition; it complicates the problems of vice, crime, and degeneracy; and is responsible for untold wretchedness and suffering. As a result of poverty, home life is disrupted; families are undernourished, ill clad, and inadequately housed, thereby becoming an easy prey for disease. Women and children are forced into industry; and in many cases, children are deprived of education and the opportunity to develop good-citizenship qualities.

Poverty affects not only the submerged groups in the population who are forced to subsist on levels below those which permit a decent standard of living; it also affects all people in every level of society. Widespread poverty is an enemy of social progress; it is an index of how far we have failed to progress toward the economic ideal of prosperity.

2. New Interest in an Old Problem. Poverty has afflicted mankind throughout the ages. It has been only within recent times, however, that deliberate effort has been made to study this problem scientifically for the purpose of reducing the amount of poverty by attacking its causes, as well as lessening its consequences.

While reformers have long urged upon society the necessity of eradicating poverty, it is only within comparatively recent years that they have been able to enlist the support of a substantial portion of the population in the war against this evil. Many of those who are taking up arms today are doing it not altogether from unselfish motives. They have been faced with the realization that the poverty of large numbers of people threatens their own economic well-being and security. The recent depression showed only too forcibly that when a large part of the population is without sufficient purchasing power to buy the necessities of life, the industry of the nation suffers and there is a general reduction in standards of living. The spirit of discontent and bitterness thrives. There is also danger of the development of a hostile attitude toward the existing social order.

3. Meaning of Poverty and Pauperism. Despite the great productivity of our modern industrial system and the creation of wealth on an enormous scale, great inequalities exist in the amount of income enjoyed by American families and in their consequent standards of living.

That class in society with the lowest income, or plane of living, is usually referred to as "the poor." With the advance of civilization, the planes of living of both rich and poor have been raised. The well-to-do classes live in luxury unknown to the corresponding group a few centuries ago. The poor of today also possess more comforts than those enjoyed by a similar group in earlier society. The poor, however, in the sense of the lowest income class have persisted in society because our social system has always been divided into economic groups. The rise of planes of living goes on in all classes, but in spite of this upward movement the poor have continued to exist on the lowest level tolerated by any particular society at any particular time.

The sociologist employs the term *poverty* to mean the condition of that group whose income, and therefore plane of living, is so abnormally low that neither physical health nor working efficiency can be maintained. It is in this sense, and to such a group, that the term poverty will be applied in this chapter. It may be possible for the advance of civilization to eliminate such a group by raising its income to an amount required to maintain a minimum standard of decent living.

The pauper group is part of the poverty class, just as the poverty class is part of the general group called the poor. Paupers are those individuals or families, in almshouses or in their own homes, who require economic help from charitable organizations. They constitute the real group of social debtors, for pauperism is essentially a state of dependency. Those individuals, however, who live in a condition of poverty, but who are too proud to receive outside help, should not be referred to as paupers.

4. Points of View Regarding Poverty. The old attitude toward poverty was that it always had existed and always would continue to exist so long as the world endured. Almsgiving was regarded as a religious duty and an indication of the piety of the donor. The monasteries of the Christian Church sheltered the poor and unfortunate of the Middle Ages. So, today, innumerable beggars in Mohammedan countries continually appeal to the traveler for "alms for the love of Allah."

The modern viewpoint, however, is that poverty in its narrow sociological meaning is unnecessary. The same scientific spirit which has rooted out smallpox, yellow fever, and other physical contagions is now striving to cure the social disease of poverty. The remedy is not indiscriminate almsgiving, because that kind of charity only increases pauperism. The causes which produce this unfortunate condition must be eliminated by the individual and by society. Poverty will then diminish in the same way that the elimination of the mosquito has reduced the amount of yellow fever in the tropics.

5. Extent of Poverty and Pauperism. While the depression of the 1930's added enormously to the total of our destitute population, even during the period of the post-war prosperity, large numbers of our people were living in want. For various reasons, it is difficult at any particular time to determine the extent of poverty; nevertheless, approximate estimates can be made from unemployment figures and also from the records of families obtaining relief.

At the turn of the century, the expression "the submerged tenth" was frequently applied to that portion of the population existing in poverty. Today, the submerged "one tenth" has become the submerged "one third." This does not mean that more people are worse off, but that our minimum standards of living have been raised.

Reports made by the United States Department of Commerce and the Brookings Institution reveal that in 1929, when prosperity had reached its peak, approximately twelve million families, roughly, about one third of all families in the United States, were living on less than $1500 a year. In 1932 and 1933, when the country was in the depths of the depression, it is estimated that over one third of all American families were living on annual incomes under $1000, which sum was hardly sufficient, even at prices prevailing then, to provide a comfortable plane of living.

The extent of pauperism is almost as difficult to determine as that of poverty. The almshouse often shelters such different groups of dependents as the sick, the feeble-minded, the aged, and the shiftless. Records are often poorly kept; and unfortunately, many institutions, for long periods of time, kept no records whatever.

Before the great depression the total number of chronic dependents ran between four and five millions. The support of this army of dependents required annually about a half-billion dollars which was provided largely by private charity.

If we combine the paupers with the poverty group, the total number of such persons in ordinary times in the United States is probably at least fifteen million. Relief estimates indicate that in 1935, when the United States was well along in the recovery phase of the business cycle, approximately twenty million people were still receiving public assistance. This group, of course, did not include individuals in institutions. Annual relief expenditures of the Federal Government alone ran into billions of dollars in the 1930's.

6. Distribution of Poverty between City and Country. Because poverty has been concentrated in congested city slums, urban poverty has been more conspicuous than rural poverty. However, agricultural poverty among tenant farmers, share croppers, and migratory agricultural laborers may be worse than that among correspondingly submerged classes in industrial centers and urban areas.

The depression tremendously increased the poverty of the rural population in this country. In fact, the extent of poverty prevailing in the farm lands of the United States, especially from 1929 to 1933, created a social problem of grave significance.

B. WHY POVERTY EXISTS

7. Combination of Causes. Many social reformers made the error of assuming that poverty had but one cause. Thus Malthus believed poverty was due to the pressure of population on food supply. Karl Marx sought its explanation in the ownership of the instruments of production by the capitalistic class; socialism was therefore his remedy. To Henry George, poverty was the result of the rise in rent, and only the single tax could remove it.

Poverty, however, is a complex problem, the causes of which are manifold. Not only environment, but heredity also must be taken into account in analyzing the causes of poverty. Each case of dependency has its roots in a number of causes which may be found in the physical environment, the social environment, and in the individual himself.

USHA photo by Oliver

Poverty Is Not Restricted to City Slums.

8. **Conditions in the Physical Environment.** A people may suffer from poverty because of the barrenness of the physical environment due to poor soil or other natural limitations. Again, there may be unfavorable cli-

matic conditions, such as an excess of moisture or a lack of rainfall, as found in swamplands and deserts.

Natural forces may produce floods, earthquakes, storms, or droughts, and cause a given locality to suffer temporary distress. Illustrations are found in the Johnstown flood, in the San Francisco earthquake, and in the Galveston tidal wave.

Finally, certain diseases, such as malaria and hookworm, flourish in particular environments. Inhabitants of these regions were regarded as indolent and shiftless, whereas their constitutions were really undermined by environmental diseases.

9. Conditions in the Social Environment. The human causes of poverty lie in the social rather than the physical environment.

(*a*) *Economic Factors.* By the use of improved methods of production, western nations have reached a better economic adjustment than the Orient, where poverty, like other maladjustments, is widespread. Nevertheless, we have seen that our own progressive and democratic society permits many maladjustments, such as occupational diseases, industrial accidents, child labor, and low wages. Inadequate wages constitute an important cause of poverty.

Unemployment is another economic maladjustment resulting in poverty. Cycles of business depression and seasonal unemployment are attended by an enormous rise in the poverty rate. The depression of the 1930's added tremendous numbers to an already large group of dependents. Periods of financial distress and industrial crises cause a terrific strain on relief organizations. Strikes and lockouts have a similar effect.

That changes in industry may produce temporary hardship is well illustrated by the transition from the domestic to the factory system. The rapid industrialization of the United States since the War between the States has been accompanied by increased poverty. Before this transition, the great Mississippi Valley for many years furnished a supply of free land to those in our own country who cared to move westward. In fact, the poverty problem in America may be said to date from the increasing exhaustion of this supply of free land. Other economic causes of poverty may be found in various maladjustments brought about by changing economic conditions.

(*b*) *Urbanization.* The growth of cities has been as important as industrialization; indeed the two are closely related to each other as well as to the problem of poverty. Evil associations that prevail in the congested districts of a great city may injure the morals, as much as the health, of those concerned. Idleness, shiftlessness, or degeneracy in family life may thus result in poverty. Saloons, immoral dance halls, vicious theaters and amusement places have often led to the dissipation of funds required for the necessities of life. Moreover, such sordid pleasures suggest ideas other than those of steady industry and weaken the health and morals of the worker.

(*c*) *Other Social Factors.* Insanitary living conditions may be both the cause and the result of poverty. Such conditions may produce sickness, which, in turn, may result in the death or unemployment of the wage earner. Thus, the family becomes dependent on the charity of the community, a situation which might have been avoided under different living conditions. Sickness or death of the breadwinner may be merely the immediate and personal cause of poverty resulting from bad housing.

Unwise philanthropy is also a factor in poverty. So long as begging is more profitable than working, pauperism will spread throughout society. Work, public or private, is likewise better than mere relief or charity.

10. Causes in the Individual. (*a*) *Hereditary and*

Environmental Causes. Pauperism is an acquired status and consequently not hereditary. But a physical or mental degeneracy, causing poverty or pauperism, may be inherent in the germ cell and therefore hereditary.

This fact would seem to explain why pauperism may "run" in a given family and be misinterpreted as hereditary. Such degeneracy may take various forms in the second generation. The offspring of a drunken parent may incline toward both drunkenness and pauperism. Neither characteristic is, strictly speaking, hereditary, as is the inherent weakness or degeneracy which produces it.

The physical and mental vigor of certain stocks may be subnormal, and their offspring, under force of circumstances, may drift into one of the various social debtor classes. They may also be regarded as inferior variations, which cannot care for themselves in society's struggle for existence. Certain studies of degenerate families seem to bear out this conclusion. For example, a study of the Jukes family by Dugdale shows a long line of descendants traced in prison records, almshouses, and drunkards' graves. Neverthless the influence of the social environment of a particular family cannot be ignored. Even among the degenerate Jukes family there were some members who amounted to something by leaving their old associations and starting life afresh in new communities.

(*b*) *Feeble-mindedness.* Dr. Goddard finds his clue to degeneracy and pauperism in feeble-mindedness, and estimates that one half the inmates of almshouses are feeble-minded. Since feeble-mindedness is hereditary, and not acquired, we are able to understand how many cases of pauperism may appear in the same family. Only segregation of the feeble-minded will prevent the propagation of their kind and the passing on to future generations of degeneracy and pauperism.

(*c*) *Disease.* Disease is another important cause of poverty. It would seem that from 25 to 40 per cent of all cases applying for relief before the great depression represented a temporary or permanent disability due to sickness. This is, in part, the individual expression of such objective causes as insanitary living conditions, improper housing, bad working conditions, and dangerous trades.

(*d*) *Intemperance and Immorality.* Although the importance of intemperance as a cause of poverty has probably been exaggerated, nearly one fourth of all cases coming before charity organizations were formerly traced to the ravages of alcohol. The Committee of Fifty, who investigated this subject before the passage of the Prohibition Amendment in 1919, found that over 40 per cent of the inmates of almshouses owed their condition directly or indirectly to alcoholic excess. As a destroyer of personal efficiency alcohol has long been a frequent cause of unemployment. Intemperance is a subjective cause of poverty, but it has its roots in numerous objective causes, such as the pernicious social customs of treating or "setting up a round of drinks," long hours of disagreeable work which "drive a man to drink," and poor facilities for recreation, in which circumstances the saloon may flourish as "the poor man's club."

Immorality must also be mentioned, for Dugdale places it even ahead of intemperance as the main cause of degeneracy in the Jukes family.

(*e*) *Death of Main Support.* Death of the main support appears in from 10 to 20 per cent of relief cases. Some form of social insurance for the poor, or a sound life-insurance system within their reach, is earnestly advocated. Widows and orphans, however, have always appealed to human sympathy; and funds given by philanthropists have founded numerous institutions for the care of such persons. Charity workers find little difficulty in providing for orphans, because more funds are at their disposal for this group of destitutes than for any other.

(*f*) *Imprisonment or Desertion.* The imprisonment of the breadwinner is a frequent cause of poverty to his family. Society shelters, feeds, and clothes the criminal, but permits innocent members of his family to suffer. To remedy this injustice some states have passed laws by which the proceeds of convict labor are turned over to their families.

Desertion by the head of the family appears in from 5 to 10 per cent of all cases of dependency in our large cities. Children may be abandoned by their parents, or wives by their husbands. In the case of many destitute families, relatives show a remarkable indifference to their condition. Charity workers find a surprising amount of neglect on the part of near relations and a failure to help in cases of dependency.

(*g*) *Old Age.* Old age is frequently a cause of dependency, and the almshouse is often the final home for the aged. Such a situation is cruelly unfair. Many old persons have been industrious workers and have reared large families, but, having outlived their period of usefulness, they are incapacitated for further work. Old-age pensions will lift the stigma of the poorhouse from the aged, who have no means of support for their declining years. Society should at least provide separate and comfortable homes or apartments for the aged, where husband and wife will not be parted and where they will not come into contact with feeble-minded, degenerate, and other subnormal groups found in the average almshouse.

(*h*) *Physical Defects.* Defectives are frequently public charges. The crippled and the blind constitute a large proportion of the beggars on our streets. At present, the almshouse is the general depository for most of these varied groups. Special methods of treatment for each class of defectives will be discussed in a later chapter.

(*i*) *Shiftlessness and Laziness.* Shiftlessness and laziness are individual characteristics which may lead to poverty and pauperism. It is estimated that from 10 to 15 per cent of all cases of distress may be attributed to these individual weaknesses. Some so-called cases of laziness were found, on physical examination, to be due to an under-vitalized health condition. Some retarded school children in slum districts were found to be underfed or anemic.

Photo from Keystone View Co.

Colony for the Aged at Millville, N.J.

The members of the colony attend church services at their Community Center.

Environment, however, will not explain all such cases; for there are some individuals who are inherently lazy and shiftless. Again, many poor people are in a condition of poverty because of their own want of forethought. A lack of judgment prevents their exercising a wise economy in applying their earnings to the purchase of food, clothing, and other necessaries. Scarcity of funds also necessitates buying in small quantities and only for immediate consumption; hence, the poor are often overcharged. For these reasons, tactful settlement workers are carefully studying the manner in which the poor spend their small incomes and are seeking to advise them as to what constitutes wise economy.

C. Combating Poverty

11. Modern Attitude and Emphasis. Economic inequalities will probably persist in human society as long as there are inherent differences in human beings. This does not mean, however, that it is necessary or desirable for millions of our population to live in poverty and wretchedness. While there will always be people on the lowest level of the economic scale, this level should not be so low that the individuals who live on it are compelled to forego the necessities of life.

The fatalistic attitude in regard to poverty has largely disappeared. As we have observed, poverty is no longer looked upon as a necessary evil, but rather as one that can be prevented or reduced. The modern attack against poverty is distinguished by the emphasis that is placed upon prevention. Formerly the lightening of the effects of poverty through the granting of charity characterized efforts of reformers. While the work of charitable organizations is still necessary and still effective in its sphere, the chief emphasis today is being placed upon the removal of the causes of poverty.

12. Reduction of Poverty and Prevention of Pauperism. In its efforts to eliminate causes of poverty, society is attacking the problems of ill-health and disease, slums, lack of education, unemployment, and other social evils.

Since sickness is one of the important causes of poverty, it is obvious that a conspicuous reduction in the amount of sickness should result in a consequent reduction in the extent of poverty. It has also been claimed that a substantial proportion of deaths among the poor, including main supports of families, could have been prevented if adequate medical attention had been available. A hopeful sign today is that many American communities are devoting considerable attention to public health and sanitation. They are attempting to check the spread of disease and to extend medical care to those unable to pay for it through the expansion and increased use of free or low-cost clinics, nursing service, and hospitalization. It is hoped that the elimination of slums and the establishment of better housing conditions will also tend to raise standards of health.

Modern society is also seeking to eliminate or reduce such social evils as vice, crime, intemperance, and feeblemindedness, all of which, we have learned, have a close relation to poverty.

Illiteracy, as a cause of poverty, is being attacked through extending more widely the opportunities of education, and through enforcing more rigorously compulsory-education laws. The fact that poverty prevails to a larger extent among unskilled workers than among skilled workers, indicates that our schools should provide greater facilities for industrial education. A more deliberate effort should also be made to direct boys and girls into lines of work for which they are fitted by nature and training and in which there are opportunities for employment and advancement.

Good wages and steady employment are among the strongest factors in the reduction of poverty. Greatly increased production with reduced costs to the consumer will tend to stimulate demand, increase employment and purchasing power, and make available for larger numbers a greater share in the national income. In the last analysis, it is only through increased production and increased employment, with lowered costs of goods to the consumer, that we can hope to raise substantially standards of living.

In increasing the productivity of land, the Federal Government is eliminating a cause of poverty existing in the physical environment. This is being accomplished through vast irrigation and power projects, and soil-conservation programs.

It is also expected that the enactment of the social-security legislation discussed in the last chapter will aid materially in reducing poverty. Most states are cooperating with the Federal Government in making provisions for the care of dependent children, and also for the care of the aged, the blind, the crippled, and the unemployed.

13. Public and Private Relief. Despite the recent attack on causes of poverty, relief measures are still important. They are carried on by governmental agencies and by private organizations. Most state or local governments have made provisions for asylums and other places of refuge for the destitute aged, mental and physical defectives, orphaned children, and other dependents. As indicated earlier, all governmental units, including the Federal Government, are expending huge sums to great numbers of people on relief.

In some of the states there has been considerable overlapping in the functions of the various agencies administering relief. In 1937, the State of Pennsylvania passed a law which consolidated state and local relief agencies. The work of the county, district, and borough poor boards was absorbed by the state and most of it is now administered under the direction of a new cabinet member known as the Secretary of Assistance.

This unification of relief in Pennsylvania has increased the efficiency and reduced the cost of relief administration.

During the depression, the Federal Government created a number of agencies for assisting the states in carrying their relief burdens. Among these agencies have been the Federal Emergency Relief Administration, Works Progress Administration, Public Works Administration, and the Civilian Conservation Corps.

Photo by Brown Brothers

THE BATHING POOL AT A PITTSBURGH ORPHANAGE

The orphanages of the present day are vastly different from those of a generation or two ago.

In place of the haphazard, inefficient, and wasteful methods, which formerly prevailed in some forms of private charity, many communities are attempting today to systematize and co-ordinate all charitable activities under one central organization. A scientific study is made of relief needs in the community and assistance given where it is most needed. Funds for the various private charities are raised by a concerted drive under the auspices of a centralized agency, such as the Community Chest or the Public Welfare Organization.

Summary. While many problems that press for solution in modern American society have been outgrowths of the factory system, the problem of poverty has afflicted society throughout the memory of man. Poverty is an evil that not only destroys the health and efficiency of the individual, but also, if sufficiently widespread, constitutes a threat against the progress of a nation.

Nevertheless, the problem persists largely because of social attitudes that have prevailed for generations. Some groups maintained that since poverty had always existed it therefore always would exist. They felt relieved from any further responsibility for the solution of the problem when they had temporarily helped the person in need by giving him alms.

Others deplored the existence of poverty and sought to reduce it. But they erred in assuming that a single cause was responsible for it. Malthus, for example, believed that he had found the key to poverty in the inadequacy of the food supply in relation to population increase.

The sociologist distinguishes between the terms *poverty* and *pauperism.* The term *poverty* he applies to the condition of that group in society whose plane of living is so low that the necessities of life cannot be obtained. *Pauperism* is applied to the condition of that group dependent on charity for support.

Poverty and pauperism may be attributed to a combination of causes. Some of these causes are found in the physical environment, some in the social environment, and some in the individual himself.

The old fatalist attitude toward poverty is being supplanted by a new scientific attitude which sees in poverty a disease and seeks to treat it as such. In attacking the problem today, the chief emphasis is placed upon prevention. Society is attempting to eliminate the causes of poverty through the eradication of slums; the extension of educational opportunities; the reduction of unemployment, ill-health, vice, feeble-mindedness, and other social evils; through vast governmental projects to improve the physical environment; and through a wider distribution of the national income. It is believed that the enactment of social-security laws will also decrease poverty.

Although it is expected that the recent declaration of war upon poverty will materially raise the standard of living and substantially improve the lot of the submerged "one third," nevertheless until the millennium arrives, the work of public and private charity will be urgently needed.

Word Study: Poverty, pauperism, degeneracy; almshouse; submerged groups, social debtors; urbanization, industrialization; indolent; philanthropy; acquired, inherent; subjective, objective; pernicious; fatalistic; hospitalization.

QUESTIONS ON THE TEXT

1. Distinguish between poverty and pauperism.
2. What were some of the old points of view regarding causes of poverty? Contrast with modern viewpoint.
3. Has poverty in rural communities increased or decreased? Explain.
4. What causes of poverty are found in the physical environment? Explain one or two.
5. What causes of poverty are found in the social environment? Explain one or two.
6. Enumerate some causes of poverty found in the individual. Show how many are also environmental causes.
7. Explain the relation of degeneracy to pauperism. Is pauperism hereditary? Explain.

8. Show how certain causes of poverty may also be results of poverty.

9. What efforts are being made to eliminate causes of poverty?

10. What efforts are being made to relieve poverty by public and private agencies?

Application and Interpretation

1. How would you define a social debtor?

2. Are there any conditions existing in the physical environment of your community which have led or might lead to poverty? Explain.

3. Are there any economic conditions existing in your community which are conducive to poverty? Explain.

4. Are there any social conditions in your community that have an influence in promoting poverty? Explain.

5. How might poverty in a community be a factor in promoting corrupt politics?

6. How might disease and crime be causes and effects of poverty?

7. What personal defects do you consider most important in accounting for poverty? Why?

8. How will social insurance help to prevent poverty and to supplant charity?

9. How has the disappearance of the American frontier influenced poverty?

10. What relation is there between the character building agencies in your community and the reduction of poverty?

11. In your opinion has your local or state government any responsibility for the health and housing conditions in your community? Explain.

Suggested Activities

I. Prepare talks on the following topics:

1. Effects of poverty on the individual and society.

2. Influence of the business cycle on poverty.

3. Work of the Red Cross.

4. Suggestions for attacking the problem of poverty in my community.

II. Draw cartoons illustrating:

1. Relationship between ill-health and poverty.

2. Important causes of poverty existing in the individual.

3. Influence of slums on poverty.

III. Have a committee secure the following information and make a report to the class.

1. Extent of poverty in your community, and the causes.
2. Methods of caring for the poor in your community.
3. Agencies which carry on relief.
4. Methods of raising funds for poor relief.
5. Institutions maintained and work carried on by your local government for the relief of poverty.

IV. Have a committee secure the following information and make a report to the class:

1. Extent of poverty in your state.
2. Institutions maintained by your state for dependent people.
3. Requirements for admittance to these institutions.
4. Amount of money spent by your state for the care of dependents during the preceding year.

V. Prepare debates on the following subjects:

1. Work of local relief boards should be assumed by the state.
2. Social insurance is preferable to charity.

COLLATERAL READINGS

ARNOLD—*Problems in American Life;* Chap. XXXIII, "Poverty."

BOWEN—*Social Economy;* Chap. XXIV, "Population and Poverty."

ELDRIDGE and CLARK—*Major Problems of Democracy;* Chap. XIV, "People in Need of Help."

ELLIOTT, MERRILL, WRIGHT—*Our Dynamic Society;* Chap. VIII, "The Homeless."

ELLWOOD—*Social Problems—A Sociology;* Chap. XIII, "Poverty and Pauperism."

FINNEY and MILLS—*Elementary Sociology;* Chap. X, "Poverty."

GREENAN—*Readings in American Citizenship;* Chap. XXI, "Poverty."

ROSS—*Civic Sociology;* Chap. XIII, "Poverty and Its Relief."

TOWNE—*Social Problems;* Chap. XIV, "Poverty."

WALKER, BEACH, JAMISON—*American Democracy and Social Change;* Unit IV, Topic III, "Poverty and the Care of Dependents."

WALLIS and WALLIS—*Our Social World;* Chap. XX, "Poverty and Pauperism."

ADVANCED READINGS

BEACH and WALKER—*American Social Problems;* Chap. XIII, "Poverty and the Welfare of Dependents."

DAVIS—*They Shall Not Want.*

DAVIS, BARNES, and others—*Introduction to Sociology;* Book IV, Chap. V, "Poverty."

GILLETTE and REINHARDT—*Current Social Problems;* Chaps. VIII to XI, "Distribution of Wealth and Income in the United States."

GILLIN—*Poverty and Dependency.*

KELSO—*Poverty.*

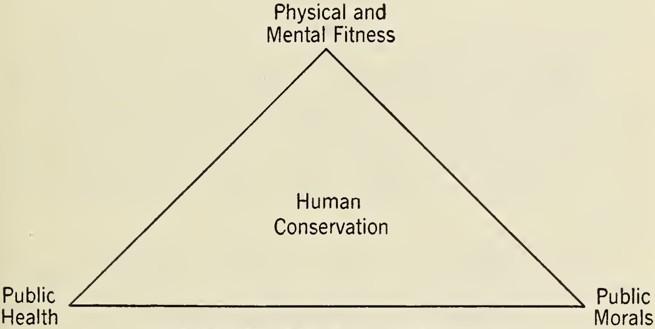
PHELPS—*Contemporary Social Problems;* Chap. II, "Poverty."

QUEEN and MANN—*Social Pathology;* Chap. XII, "Poverty—Income and Standards of Living." See Index for other pertinent material.

WARNER, QUEEN, and HARPER—*American Charities and Social Work.*

UNIT B. PROBLEMS OF HUMAN CONSERVATION

Chapter XXII. Preventing Crime and Reforming Criminals
Chapter XXIII. Care of the Physically and Mentally Handicapped
Chapter XXIV. Protecting and Improving the Public Health


Physical and Mental Fitness
Human Conservation
Public Health
Public Morals

The Angles of Human Conservation

CHAPTER XXII

PREVENTING CRIME AND REFORMING CRIMINALS

Objectives:

(1) To point out the extent, cost, nature, and causes of crime.
(2) To show the development of our jury system and criminal-court procedure.
(3) To observe methods used in the treatment of criminals and to examine some reforms that have been suggested.

A. The Menace of Crime in the United States

1. **Spirit of Lawlessness.** The problem of crime, like the problem of poverty, reaches far back in the history of mankind. Society has always been faced with the necessity of dealing with those individuals who could not, or would not, abide by the rules laid down by the group.

Notwithstanding the great advances that have been made in civilization, crime persists, and the United States has earned the unenviable reputation of being the most lawless of all civilized nations. It has been said that life and property are relatively less secure here than in any other nation in the world. Reports of the activities of public enemies and other law violators are brought to us daily. Competent authorities have repeatedly called our attention to the extent and cost of crime; they have issued grave warnings concerning the menace of lawlessness to our established institutions and national well-being.

2. **Extent of Crime.** The extent of crime is difficult to

determine, for the number of prisoners convicted and sentenced represents but a fraction of the total number of criminals. Many are not even arrested, while others are acquitted because of a lack of convincing evidence. Our estimates can be based only on the number of sentences rendered, or on the number of persons actually in confinement in a given year.

Before the World War, annual commitments in the United States approximated the half-million mark. Persons under sentence, however, totaled only about a third of that number. A special prison census reported for one year a little over two thousand convictions for homicide, while the actual number of such crimes committed was several times that figure. Indeed, the annual homicide rate in the United States for the opening years of the twentieth century was between six and seven thousand. At the present time the homicide rate is believed to be in excess of ten thousand annually.

3. Alleged Increase in Crime. The alleged increase in crime in recent years is difficult to determine, because standards of conduct have changed. New laws have been added, and new offenses created, which did not exist previously. Moreover, the number of commitments and the number of crimes are not the same. Again, an apparent increase of crime may mean merely that the law is being more strictly enforced. There also exists a wide variation in the laws of different states. It would seem, however, to some writers that there has been an increase of crime in the United States. This assertion is based on the fact that the prison population has increased proportionately more rapidly than the total population.

The following table shows the number of prisoners in state and federal penitentiaries and reformatories on January first of the years cited. There seems to have been a rapid increase in crime from 1910 to 1932, after which date the upward trend was checked somewhat, although no great or continued decrease took place.

NUMBER OF PRISONERS IN STATE AND FEDERAL INSTITUTIONS [1]

YEAR	1910	1923	1932	1933	1934	1935
No. of prisoners	68,735	81,959	137,082	137,997	136,810	138,220

[1] Compiled from U.S. Census Bureau.

European statistics, before the World War, did not show a decided increase of crime. If anything, a slight decrease was noted in some countries of continental Europe. England, whose criminal procedure is excellent, showed a considerable decrease in the number of crimes committed. With the advent of the war, however, began that spirit of recklessness which eventually resulted in a temporary spread of crime throughout the whole civilized world.

4. **Cost of Crime.** Because of the many factors involved, costs of crime are difficult to determine. Nevertheless, estimates have been made from time to time which indicate the terrific burden which is being placed upon the American people by crime. These estimates vary considerably, ranging from one billion dollars to fifteen billions a year. Despite the wide variation in these figures it seems safe to assume that we are spending far more for crime each year than the two and a half billion dollars which we are paying for public education in the United States. Crime is probably more expensive than the entire cost of government during normal times. The number of those engaged in tracking down criminals and in running the penal institutions of the country greatly exceeds the number enrolled in the regular army of the United States.

The cost of crime is measured not alone in terms of money, but also in terms of wasted lives, broken homes, and increased human misery. The human costs of crime are far more important than the monetary costs, great though they are.

B. The Nature of Crime

5. Meaning of Crime. The simplest definition of crime is that of any violation of the law. Crimes are wrongful acts against society, or against individuals, punishable by legal penalty.

At one time, crime was regarded simply as an offense against the individual affected. The injured man or his family sought vengeance against the offender without the intervention of the group as a whole. Gradually, however, the idea grew up that crimes were offenses not only against individuals, but also against society.

The chief function of the state, in whatever form it existed, was to protect members of the group, not only from outside invasion, but also from unsocial individuals within it. The newly established social order was regarded as being threatened by such unsocial individuals. Therefore, the political unit, whether in the form of the patriarchal family, the tribe, the feudal group, or the nation, was forced to meet its own problem of social control. The group, not the individual, thus came to punish crime.

6. Criminal Codes. In order to define and punish crime it was found necessary to formulate a body of law, written or unwritten, explaining what should constitute deviations from the normal standard of conduct. A good idea of the civilization of a people, or of an age, may be obtained from its code of laws. A comparison of the Twelve Tables of early Rome with the elaborate Code of Justinian illustrates one phase of the social progress attained during the intervening period.

The legal code reflects not only the degree, but also the type, of civilization. Each society punishes most severely those crimes which threaten its particular type of social organization. In a theocracy where state and church are combined, blasphemy and heresy are serious crimes, whereas in an absolute monarchy, *lèse majesté* or criticism of the sovereign is a grave offense. In a commercial society, new crimes, like the falsifying of records and the forging of checks become serious.

As civilization has advanced, the standards of conduct have risen. Crime will always be present in society, however, because there will always be those who fail to meet the constantly rising standards of conduct. Like poverty, crime is somewhat relative in character.

Laws, as the legal expression of group standards of morality, must reflect the popular will. Statute books must therefore be kept abreast of the changing social conscience. It is unfortunate to have obsolete laws upon the statute books; if no longer enforced, they should be repealed. Also, new laws should be passed to express new social standards. Otherwise, individuals may be held morally guilty by the community, but their actions may be entirely within the law.

The social conscience may see little difference between unregulated child labor and slavery, or between certain dangerous trades and murder. But this unwritten estimate of individual action is not sufficient. Public opinion must express itself in laws, and to secure the enforcement of these laws, the social conscience must be educated to the new standard. This process of education should precede the legal enactments which, otherwise, will remain unenforced.

7. **Changing Character of Crime.** (*a*) *Early Crime.* Early conditions, in comparison with modern, presented a greater amount of turmoil and confusion. In ancient Rome, gangs of cutthroats and freed gladiators were hired for the work of assassination. The cities of medi-

eval and modern Europe were notoriously unsafe. The carrying of rapiers—light swords—became a social custom founded on necessity. As late as the reign of Queen Anne, the narrow, unlighted streets of London were harassed by footpads and "gentlemen" who played "pranks" upon their victims. Outlaws, like the fabled Robin Hood, were so numerous in the rural districts as to make traveling unsafe. Not only were piracy and smuggling common, but the government itself resorted to the press gang—a group of sailors who seized civilians and forced them to serve in the navy.

(*b*) *Crime Today.* Modern society has been made safer by the repression of such disorders, so that in the course of centuries there has been a great decrease in the number of brutal and serious crimes. While numerous individual cases of cruel crime still exist, they are not nearly so common and flagrant in character. Modern society, however, has a new type of unsocial individual in its midst, more polished and less brutal, but equally dangerous. The complex organization of twentieth-century society permits him to work at long range and with less fear of detection. Instead of running a dagger through his victim, the modern criminal may supply impure milk, or adulterated food, with the same deadly result. Or rather than loot a house and carry off its goods, he may wreck financial undertakings and rob innocent stockholders. Hence the development of commerce and industry has made necessary the enactment of new criminal laws.

8. Organized Crime. A particularly treacherous form of lawlessness that grew with startling rapidity after the World War was organized crime on a nation-wide scale. Included in the list of organized criminals have been gangsters of all descriptions, racketeers, and kidnapers. In the 1920's, the ruthless activities of gangsters, with their gang warfare and gang murders, their bombings, their holdups and rackets, constituted what amounted to a veritable reign of terror. "Gunman," "gangster," "racket," "racketeers," "to be taken for a ride," "chisel," and numerous other expressions now widely used in referring to crime and criminals were added to our language during that period.

Racketeering has been considered the most highly organized of all forms of crime. It preys upon almost every type of business. The victim is compelled to pay money to the racketeers through threats of the destruction of his property, personal injury, or even through threat of death. Many unspeakable outrages have been perpetrated by these modern bandits; lives have been taken, property destroyed, and respectable citizens terrorized. The business establishments which are forced to pay tribute are not the only victims of this form of crime. Every consumer contributes to the cost of racketeering in increased prices for goods.

The use of machine guns, high-powered cars, and good highways has aided the gangster in making possible quick getaways from scenes of holdups and murders.

Political corruption has contributed, in large part, to the prevalence of organized crime in our metropolitan areas. It is apparent that many of our dangerous criminals have secured protection through the payment of bribes to political officials and others charged with the enforcement of law and order.

During the depression there was a sharp rise in the number of kidnapings. These crimes have been characterized by boldness and brutality. The victims have been men and women as well as children. The kidnaper seeks to obtain revenue through the exploitation of family affection. A particularly tragic note in some kidnapings, indicating the callousness of this breed of criminal, is that despite the payment of the ransom the victim is not returned alive. Kidnaping is a form of crime which has aroused the bitter resentment of society. Quickened public opinion has found expression in the enactment of state and federal legislation.

9. Work of the G-Men. The spread of criminal activities beyond state borders prompted the Federal Government to take drastic action. The Department of Justice inaugurated a widespread campaign against crime. With great skill and daring, the agents of the Department of Justice, commonly known as *G-men,* or government men, have waged relentless battles against the modern desperadoes. Their efforts have been attended with great success; one by one the public enemies have been slain or captured. City and state officials have co-operated, and increased their efforts to enforce the law with noteworthy results.

10. Classification of Crimes. Serious crimes, such as murder or burglary, are known as felonies; but less important ones, such as vagrancy or speeding, are called misdemeanors.

Another classification distinguishes among vice, crime, and sin. Vice is an act which injures the individual himself, but not necessarily society. Crime, on the contrary, does affect society as well as the individual. Our present social organization is so complex, however, that this distinction has lost much of its original significance. Drunkenness, for example, is becoming as much a crime as a vice. Sin is distinctive as an offense against God's law rather than, or in addition to, man's law.

A fundamental distinction in classifying crimes is that between crimes against persons and crimes against property. Another type of modern offense represents crimes against the social order, for civilized society seeks to supervise numerous actions—from the regulation of transportation to the issuance of marriage licenses.

Crimes are also classified as those by accident, those of passion, and those of premeditation.

11. Classification of Criminals. There are numerous classifications of criminals, but the most useful is the simple division of criminals into three classes: (1) the born; (2) the habitual; and (3) the occasional. The born or instinctive criminal is the individual of bad heredity and of degenerate stock. He may be insane, feeble-minded, or afflicted with other hereditary handicaps. The habitual criminal has a normal heredity, but has been corrupted by an evil environment. Hence his criminality is acquired. With the development of bad habits and a vicious point of view, it is almost as difficult for him, as for the born criminal, to lead an upright life. Both these types are repeaters before the bar of justice. The occasional criminal is rather the single offender. He has committed a crime in passion, or under the force of circumstances, and is most capable of future reformation.

12. Criminal Type. The great Italian criminologist, Cesare Lombroso, expounded the theory of a certain definite criminal type. To this type, according to his theory, belonged most individuals who had committed serious crimes against society. It could be recognized by certain physical characteristics, such as a receding forehead, a protruding jaw, and a peculiar skull formation. According to this theory, certain signs of mental degeneracy, such as insensibility to the sufferings of others, were supposed to be present. This class cared nothing for social approval or disapproval, and the fact of guilt created no sense of shame. This degenerate criminal class was regarded as resulting from *atavism* or reversion to type—a primitive man had been born into modern civilized society. Modern criminologists, however, no longer believe in the existence of a definite criminal type, recognizable by certain physical features and common mental traits.

C. Why Crime Prevails

13. Causes Similar to Those of Poverty. Both in number and character the causes of crime resemble those of poverty. The same set of circumstances that may make one individual a pauper may make another a criminal. The causes of crime likewise lie both in the environment and in the individual.

14. Influence of Physical Environment. There seems to be a generally accepted opinion that crimes against persons are more common in southern countries, and crimes against property are more prevalent in northern lands. Similarly, in the same country, crimes against property, such as burglary, often increase in winter; while those against persons, like murder and assault, sometimes show an increase in spring and summer.

Weather also has a decided influence on conduct, as all individuals in charge of large groups have noticed. Wardens in prisons and asylums note a decided difference in the conduct of the inmates on clear, crisp, windy days from that on damp days with high humidity.

15. Causes in the Economic Environment. Economic causes of crime are similar to those of poverty, but individuals react differently to the same set of causes. Unemployment may drive one man to steal, and another to beg. Inadequate wages may reduce one woman to a plane of living below the poverty line, while another of weaker will may become a moral delinquent. At this point in the present discussion, the student should review the economic causes of poverty, outlined in the last chapter, and observe how they are applicable to crime.

16. Causes in the Social Environment. (*a*) *City Life.* Conditions in large cities help to cause crime, for here social ills and economic wants are intensified. Bad associations are easily formed, for the criminal group, as well as the pauper, thrives in the city. Glaring contrasts between poverty and riches are temptations to the morally weak. Gangs of thieves make their quarters in congested districts, like those depicted in Dickens' story of *Oliver Twist* and in similar tales of today.

After long, monotonous hours of toil, amusement places, sometimes of questionable character, are sought for relaxation as an escape from miserable working conditions and crowded tenement houses. The city should therefore furnish wholesome recreation centers, which can compete with indecent theaters and dance halls. Motion pictures, too, should be censored so that wrong ideals may not be upheld before their audiences.

(*b*) *Frontier Conditions.* At the other extreme, are isolated, sparsely settled communities which are also characterized by a high rate of criminality. Note, for example, the lawlessness of frontier life. Regions between these two extremes of density of population seem least subject to crime.

(*c*) *Influence of Family.* The family should be the chief agent in the socialization of the individual. This function cannot be performed well in homes broken by desertion, divorce, or death, or homes undermined by the sickness, poverty, or crime of parents. Unwholesome homes furnish an undue proportion of youthful criminals. Neglected children and those with false social standards seem inclined toward criminal careers. Studies show that the majority of delinquent children in reform schools come from bad homes. On the other hand, a healthy family life is preventive of crime.

(*d*) *Effect of War.* The number of serious crimes showed such an increase in the period immediately following the World War that attempts were made to show a causal relationship between crime and war. It has been argued that repeated scenes of destruction and bloodshed develop a callousness to loss of life and property. Again, sudden freedom from military discipline and restraint may have a bad influence on the morally weak.

17. Political Corruption. Defects in law and government increase the amount of crime. If the police are lax in the performance of duty, crime will flourish and the criminals will be given political protection by the very officers whose duty it is to enforce the law against them. This is the story of numerous vice-commission reports. The legislature and the courts should coöperate to make justice swift and certain. In England crime has been reduced by this method.

18. Educational Limitations. Defects in our educational system may indirectly contribute to crime, as well as to poverty. Illiteracy is high in jails, as well as in almshouses, and lack of industrial training is equally apparent. The teaching of a trade in early years might have given idle hands an opportunity for honest work.

A faulty prison system, under which first offenders mingle with hardened criminals, is also productive of crime.

19. Causes in the Individual. The causes of crime present in the individual may be hereditary or acquired.

(*a*) *Hereditary Influences.* Crime itself is no more hereditary than is pauperism, although the physical or mental degeneracy back of it may be inherent. This degeneracy may be transmissible and thereby cause certain families to show criminal records. We do not believe, however, that there is a fixed criminal type, but that criminality is often the evidence and result of inferior biological stock. Investigations of criminologists show that criminals, in general, present a greater number of physical abnormalities than does the average man. Imbeciles and insane persons form a large part of the criminal class. Judges have found it difficult to distinguish between crime and insanity, and have confessed doubt as to whether some criminals should be committed to a penitentiary or to an asylum.

Mental degeneracy, like feeble-mindedness, may run in families, producing criminals, paupers, drunkards, and imbeciles. The criminal who is inherently degenerate may have children likely to follow in his footsteps. But the criminal who becomes so because of his environment will be apt to have normal offspring. However, if these children are surrounded by bad influences in early childhood, it is easy for them to become criminals. The cause lies not in heredity, but in the bad social environment, from which they should have been freed.

(*b*) *Acquired Traits.* Acquired traits are the effects on the individual of the social and economic environment in which he lives. These are not usually transmissible. Just as normal conditions produce normal men, so an abnormal and unhealthy environment may produce the criminal. Alcoholism, for example, is an abnormality brought about by the evils of environment and the inherent weakness of the individual. Before prohibition, the Committee of Fifty claimed that intemperance was the chief cause of crime in a third of all cases investigated, and a contributory cause in nearly half of them. Bad company and evil associations were also found to loom large in criminal careers.

(*c*) *Age and Sex.* Other individual factors affecting crime are age and sex. Most crime falls within the active period of life between the ages of twenty-one and forty. Sex is also important, for the prison population is largely made up of males. Easily nine-tenths of those sentenced to imprisonment are men, most of whom are young men, and many of whom are mere boys.

D. Jury System and Court Procedure

20. Private Warfare. In the patriarchal, tribal, and feudal stages of society, an aggrieved man's cause was championed by his family, tribe, or feudal lord. This method of settlement caused endless blood feuds, like those which existed between the Arabian tribes, or the clans of the Scotch Highlanders. The injury was avenged with interest by the commission of a similar wrong upon the aggressor himself or his group. Thus, strife and confusion continued in the well-known feudal warfare of medieval Europe. Such was also the condition in ancient Israel where Moses instituted cities of refuge in which homicides were temporarily safe from the avenger. The altars of ancient temples and of medieval cathedrals were protecting sanctuaries. Gradually, the power of the government centralized and took into its own hands the restoration of order and the punishment of crime. In time, the injury came to be measured in terms of money value. This was known as wergeld—worth money—among the Anglo-Saxons; the code of King Alfred regulated minutely how much was to be paid for the loss of an eye, a hand, or a finger.

21. Medieval Trials. A famous method of trial in the Middle Ages was that by ordeal. The religious faith of the period was responsible for the belief that God, in some miraculous way, would declare the innocence or guilt of the accused person, who was required to place his hand in boiling water or to walk over red-hot plowshares. If, after three days, the wound was regarded as healing, the accused was considered innocent. Otherwise, he was guilty; for God had refused to protect him.

A more reasonable method was that of compurgation, by which the accused might bring his friends to swear that they believed his oath. If there were not enough compurgators—persons who would swear to his innocence—he had to undergo the ordeal. The word of a noble was equal to that of several warriors, whose testimony, in turn, outweighed that of ordinary freemen.

From the Continent, William the Conqueror brought into England the wager of battle. Each party, like Rebecca in Scott's *Ivanhoe,* chose a champion, and the two warriors fought out the cause in the presence of God and man.

22. King's Court. In the Middle Ages, there were three kinds of courts—those of the nobles, those of the church, and those of the king. The church tried all sins, such as heresy, and the condemned were handed over to the state for execution. Many other matters, like those pertaining to marriage and divorce, fell within her jurisdiction. Each noble lord also maintained his own court; dungeons in his castle were for those vassals who refused to obey his law.

As feudalism declined, most cases came gradually into the king's court. The accused received a fairer trial from the royal justices on circuit than from the feudal courts. As the fines and penalties constituted a considerable source of income, the jurisdiction of the king's court gradually extended. The baronial courts came to be things of the past. Certain streets, houses, individuals, days, and other such circumstances were declared to be under the king's peace, and all cases thus arising were to come before the king's court.

23. Trial by Jury. As legal development went on, there came into existence two kinds of juries—the petty and the grand. The former tried the criminals whom the latter had previously indicted or held for court.

The king's court in England developed trial by jury as a more suitable method of administering justice than the old medieval customs just described. The traveling royal justice, who was to sit upon the case, issued an order for a number of men to investigate the offense and render a sworn verdict. In a criminal case, they were to state whether they thought the man guilty or not, and in a civil case, they were to indicate which of the two parties had the better claim. Gradually a distinction was made between those who knew the facts and came to be regarded as witnesses and those who were unacquainted with the facts. The latter were apt to be more impartial and were called to pass judgment upon the case. From these beginnings the petty jury has developed.

The grand jury, as well as the petty jury, is associated with the reign of Henry II of England. At that time there had been a great increase in the number of crimes, but few criminals had been apprehended. Hence, Henry II provided that, when the king's justice came to a county, a number of men should be selected and required to give on oath the number of crimes committed in that locality and the names of those suspected. The state, and not the aggrieved individual, thus came to be the prosecuting party; the grand jury came into existence for the discovery of crime and the indictment of criminals. The sheriff of each county was required to raise the "hue and cry" against the offender and could demand the assistance of all good citizens in securing the arrest of the supposed criminal.

24. Common Law and Statute Law. The king's justices sitting as a combined body, or individual members on circuit, kept a record of cases settled and decisions rendered. These came to be regarded as the formal legal expression of the unwritten customs and moral ideas of the community. They were generally logical, consistent, and in agreement with custom; they came to be known as the "common law." This body of law was centuries in the making and today lies at the bottom of English jurisprudence and its American offspring.

In addition to, but growing out of, the common law there is also statutory law. This is made up of numerous formal enactments passed, in England by Parliament, and in our own country by the National Congress and state legislatures. City councils may pass only municipal ordinances; these may define misdemeanors, but not felonies, which are generally covered by statutory law.

25. Legal Procedure. Although our federal courts punish offenders against national laws, the great volume of criminal cases, as well as civil, comes before the state courts. Each state is divided into judicial districts, which correspond more or less with county lines. The state judiciary is organized into courts of common pleas for civil cases, and courts of quarter sessions for the trial of criminals.

Since every citizen has the right to be protected from arbitrary seizure, a warrant is generally required for his arrest, unless the offense has been committed in the presence of a constable or policeman. The sheriff is the supreme county official charged with the duty of arrest, custody, or execution of the criminal. The coroner is the county official who investigates causes of deaths in an effort to prevent and punish crime.

Cases may be brought before a magistrate in the city or a justice of the peace in the country. Trivial cases are within their jurisdiction; and they may discharge the prisoner or assign a light penalty in the form of a fine or imprisonment. If the offense is serious, the prisoner is sent to jail to await trial by the county court, or set free on the payment of bail given in proportion to the seriousness of the offense. Bail is a monetary deposit, paid back at the trial or forfeited if the prisoner fails to appear. The accusation is tested before the grand jury and a bill of indictment is filed, or the accused is released because of insufficiency of evidence against him. If not released, the prisoner is finally arraigned or brought before the bar of justice.

When his case is called before the court, the charge is read and the accused individual may plead innocent or guilty. He may employ his own lawyer, or, if unable to pay for such service, the state provides an attorney for him. The district attorney, or one of his assistants, represents the state by the prosecution of the criminal. Witnesses to testify are forced to appear in court by the serving of subpoenas—summonses to appear as witnesses in a court of law. A jury of twelve then renders a verdict of guilty or not guilty, and the judge fixes the sentence. The jury decides the evidence in the case—true or false—and the judge its legal significance.

26. Defects of the Jury System. The jury system is rightly regarded as one of the greatest achievements of English political development. The prisoner, who is given every opportunity for defending himself, is regarded as innocent until proved guilty. But like all social institutions, trial by jury has its defects as well as its merits. Under this system, a large number of guilty escape; but it has been agreed that it is better for nine guilty persons to escape than for one innocent man to suffer. A unanimous verdict of the twelve jurors is generally necessary for conviction; and if any one of the numerous rules of procedure is broken, a new trial may be secured. In this country the work of the courts is notoriously slow, whereas justice should be both swift and certain in order to be effective. Then, too, many persons serving on juries have been uneducated. Intelligent individuals, who should perform their jury duty, often seek to escape such work in order to engage in their own more profitable occupations. Others plead conscientious objections to serving. Again, the jury is apt to be swayed by the skill and eloquence of lawyers who gain their ends by sentimental use of the pathetic prisoner or the dramatic witness. Some writers on jurisprudence would substitute for the jury a bench of three judges. Many regard this, however, as too radical an innovation.

27. Suggested Reforms. Some changes might well be made in legal procedure. For example, excessive publicity and the element of sensationalism should be eliminated from our courts. Trials in the United States often become great public spectacles. Far too many cases are tried in the newspapers and decided by the public at large before the jury has had an opportunity to review the evidence or render a verdict. Justice in the United States is also criticized because of the slowness with which it is administered. Not only is there often a long delay between the arrest of the suspect and his trial, but also the trial itself in many cases is needlessly prolonged.

The state should employ social experts in criminology, as well as attorneys versed in the law. These should be trained to distinguish between the different classes of criminals and to pass on questions of insanity and abnormality. Their special training in psychology would also enable them to evaluate testimony.

In the next place, a great discrepancy exists in the administration of the law. Not only do the legal codes of the different states vary greatly in penalties inflicted for the same crime, but within a given state there is also a great variation in the severity of the decisions of different judges. This situation is difficult to avoid because human judgment is imperfect.

The last objection to our criminal system is fundamental. We are still seeking to make the punishment fit the crime and not the criminal. Punishment still partakes largely of the nature of retribution, and its character and amount are fixed according to the gravity of the crime. However, if reformation is the desired end, the punishment should be made to fit the need of the criminal rather than the nature of his crime. Such a policy would mean that different offenders would receive different sentences for the same offense. The single offender or occasional criminal might be treated with leniency because he is not likely to repeat his wrongdoing. The habitual criminal, however, might be sentenced for the same offense to the permanent custody of the penitentiary, and the instinctive criminal assigned to an institution for defectives.

Judges do make some distinctions between first offenders and hardened criminals. They are also sentencing a greater proportion of prisoners to specialized institutions where more individual treatment can be secured.

E. Treatment of the Criminal, or Penology

28. Social Attitudes toward the Criminal. (*a*) *Vengeance.* The first point of view in regard to punishment for crime was that of revenge. This attitude was most conspicuous in the early days of private warfare, when the injured individual or his group vented his wrath upon the offender, whose entire family was often made to suffer. If the offender himself could not be captured, substitutes taken as hostages might suffer the fate intended for the original wrongdoer. "An eye for an eye and a tooth for a tooth" was the spirit of that age.

(*b*) *Intimidation.* Somewhat of the same spirit continued long after crime came to be looked upon as a social, rather than an individual, offense which the state itself undertook to punish. In order to deter others from a similar course, an attempt was made at intimidation through torture and death by cruel means. Executions were public, and heads of criminals and political victims were placed upon long poles and exhibited from the town walls and towers.

Curiously enough, the severity of the penalty has been found to have a less direct relation to the repetition of the crime than was formerly supposed. Torture and barbarous punishments have lowered the public morality—its standard of right or wrong—and have driven toward crime as many as have been kept from it by fear of cruel penalties.

(*c*) *Reformation.* The modern point of view toward the whole criminal problem is that of reformation or improvement both in the criminal himself and in his environment. Prevention of crime through an improvement of the social environment is essential. Regarding the individual criminal, the aim should be reformation rather than punishment. Like the pauper, the criminal should be viewed as one who is socially diseased. In rendering sentence, society, through its instrument the judge, should prescribe for the criminal in the role of social physician.

29. Early Treatment of the Criminal. Formerly, many crimes were punishable by death administered in various ways. In Roman times crucifixion was common for slaves and culprits. Burning heretics at the stake was frequent in the medieval period. With the advance of civilization, beheading became the usual form of execution. In England the block, and in France the guillotine, took the place of the stake. Hanging became a common fate for modern criminals, and only recently has it given way to the more humane method of electrocution.

The death penalty was not only cruel but also frequent. As late as the last century, it was inflicted on children and those guilty of minor offenses such as stealing or hunting on the lord's land.

Until recent times, torture was frequently practiced to secure evidence as well as to punish offenses. The victim might be drawn and quartered, or broken on the wheel. Flogging and branding were also commonly used to compel confessions and to label criminals with their crimes. The ears of offenders might be cropped, their hands cut off, or their tongues torn out.

These horrible punishments were often inflicted in the public square, as well as in the dungeon cell. Unfortunates sentenced to sit in the pillory were pelted by jeering crowds, and public hangings were regarded as holiday amusements. In his *Tale of Two Cities,* dealing with revolutionary France, Dickens tells how the women knitted while enjoying the ghastly spectacle of guillotine executions.

30. Early Jails and Prison Conditions. In ancient times prisoners languished in filthy underground dungeons until death put an end to their misery. Often they were political offenders against whom no legal charge could be brought. Such was the situation in the dread Bastille. To prevent arbitrary imprisonment, the English Parliament had passed a *Habeas Corpus* Act. Debtors, however, continued to suffer imprisonment until recent times.

Prison conditions were unspeakable. The sick and diseased spread their contagions, while often the two sexes mingled promiscuously. In some jails so little food was provided that many prisoners were forced to beg from their more fortunate fellow prisoners. The jailers were generally brutal characters who exacted fees on the slightest pretext. The warden of the Marshalsea, pictured in another novel of Dickens devoted to social problems, *Little Dorrit,* had at one time an annual income of several thousand pounds, derived from his prisoners.

31. Modern Prison Reform. Modern prison reform may be said to date from the time of the Italian, Beccaria, and the Englishman, John Howard. Beccaria (1738–1794) published a book which condemned torture and advocated a reform of the criminal law. John Howard (1726–1790) was sheriff of Bedford, in which prison a century earlier John Bunyan had written *Pilgrim's Progress.* By personal experience, Howard became acquainted with the shocking jail conditions which he pictured before the House of Commons. A great traveler, he visited the prisons of many leading European countries and studied their wretched conditions. Howard called attention to the most glaring evils of prison conditions and started a successful movement for their reform.

32. County Jail. The greatest evil in our present prison system is the county jail, which is regarded by experts as an efficient school for crime. Here prisoners are committed for thirty or ninety days for minor offenses. Those guilty of misdemeanors are confined in the jail while the more serious felons are sent to the penitentiary. Old and young mingle freely, and the vicious, hardened criminal relates his deeds to the young offender, who thus acquires criminal knowledge and bad habits. The tramp, the outcast, and the disorderly are kept here along with those who are merely awaiting trial and may or may not be guilty.

In most counties there is not sufficient need, or enough funds, to warrant the building of larger and better jails. When that is the case, however, several counties should unite in the building of a district jail that can provide proper separation of prisoners, adequate discipline, regular industry, and effective reformatory measures.

33. Necessity of Individualizing Treatment. Differences in types of criminals make individualized treatment necessary. Separate institutions for different criminal classes are urgently needed.

The instinctive criminal, often feeble-minded or otherwise defective, cannot be reformed and is dangerous if left at large in society. This small group should be kept in permanent custody. The habitual criminal is difficult of reformation and is apt to commit further crime. He should be placed in a state penitentiary, under an indeterminate sentence, and should be kept there until there is adequate proof that he is no longer a menace to society.

The criminal novice should be separated from the hardened criminal. In some cases, he may well be dealt with outside the prison walls by a system of probation. Young offenders need very careful treatment because they present the possibility of reform. Reform schools are therefore needed for juvenile offenders.

In order to avoid mass treatment and to individualize the penal system for various groups of offenders, Professor C. A. Ellwood suggests that each state should have at least the following separate types of institutions: (1) county and city jails, which should be used only for the temporary detention of prisoners awaiting trial. One evil of our present system, as we have seen, has been the use of the county jail or the city ''lockup'' as the place of imprisonment for all the different groups of prisoners serving petty sentences. (2) Reform schools for all children under sixteen years of age, or at least under the compulsory school age. (3) Reformatories for first offenders, particularly for the young. This group would thus be separated from habitual criminals; in the treatment of this class industrial training should be emphasized. (4) State penitentiaries for all habitual criminals. (5) Special reformatories for vagrants, inebriates, and like characters. (6) Hospital prisons for the criminally insane. Other defectives, wherever found, should receive specialized treatment.

34. Administration of the Prison System. (*a*) *Competent Staff.* The responsible head of the prison is the warden or superintendent. In order to secure efficient administration this officer should be empowered to appoint subordinates under a civil-service system. There should be a competent medical staff in addition to the force of clerks, guards, and housekeepers.

(*b*) *Education of Prisoners.* If the prisoner is later to become a useful member of society, industrial training is important since he must have some means of livelihood when discharged from prison. Trade schools should be established for the young, while the older men are given employment in the shops or in work around the institution. In the past, prisoners have been forced to perform unprofitable occupations or those of little practical value in after life. In some penitentiaries, classes are conducted in which illiterate convicts are taught to read and write.

(*c*) *Prison Discipline.* Prison discipline has been severe and punishment brutal. However, Superintendent McKenty, at one time warden of Eastern Penitentiary in Pennsylvania, found a more liberal spirit to be not only an advantage to the man himself in the process of reformation, but also a factor for good throughout the entire institution. The same spirit characterized the work of Superintendent Osborne, and more recently Warden Lawes, at Sing Sing.

Instead of brutal punishment, the withdrawal of special privileges may be used with greater power for effective discipline. Under this system prisoners are graded, and each grade has greater privileges than the one below it. Marks and demerits may be given, so that the prisoner with a good record may be able to advance to the highest grade. There may also be the possibility of shortening the sentence by good behavior. In some hardened cases, it has been found necessary to resort to a system of solitary confinement, combined with restricted diet, or even to corporal punishment.

In earlier days, a controversy existed between the advocates of what was known as the solitary or separate system of confinement and its opponents. These two plans were known as the Pennsylvania and the Auburn system respectively. The solitary-confinement method guards against corruption due to evil associations, but the lack of human contact may result in insanity or some lesser form of mental abnormality.

(*d*) *Adequate Records.* In the administration of prisons, as well as of almshouses, careful and complete records should be kept. There should be some central clearinghouse for the records of prisoners, many of whom have been found to be repeaters under assumed names. There is a system of measuring each individual criminal known as the Bertillon system. The lengths of the bones are recorded, for these do not grow after physical maturity is reached. Full-face and profile photographs of the prisoner are also taken for the "rogues' gallery." The print of the thumb and fingers is a further mark of identification because no two of these are alike. A federal department of fingerprint experts with fairly complete files has been established; it has been very successful in identifying criminals.

35. Prison Labor. Prisoners were employed in earlier days at severe labor. In the last century, convicts, like Jean Valjean in Victor Hugo's story *Les Misérables,* were sent to the galleys. Convict labor on the roads is still common and may be beneficial, if properly regulated and supervised. Farms are also being purchased by the state, because outdoor work is physically most beneficial to the prisoner.

Prisoners should be made to work because idleness is physically, mentally, and morally harmful. The work, however, should have some educational value and enable the convict to earn an honest living when his sentence is ended. In the past, prisoners have been taught a trade only to find, when discharged, that it might possess little practical economic value.

It was formerly common to lease a gang of convicts to some contractor, who was responsible for their care. They were often poorly treated, however; for profit, not reformation, was the aim of the contractor. The evil of this system became so apparent that the state was finally forced to keep control of its prisoners when they were turned over to an outside employer.

Organized labor has opposed convict labor as injurious to the wages of the free workman. Therefore, many states either prohibit or place restrictions upon the sale in the open market of prison-made goods. The "state use" system attempts to overcome this objection of the labor unions by producing articles needed in various state institutions.

36. Advocated Reforms in Treatment of Criminals. (*a*) *Indeterminate Sentence.* It is impossible to know in advance just how long it will be necessary to keep an individual a prisoner before he is sufficiently disciplined to be set at large. Hence many advocate the indeterminate sentence which does not state exactly the length of imprisonment. The convict must furnish evidence by his conduct, self-control, obedience, and habits of steady work that he is capable of making an honest living. Students of law fear that this system would be a temptation to prison officials to keep certain prisoners in jail longer than would be just to them. On the other hand, an individual convicted of some serious crime might be released too soon. The occasional criminal would profit, and the habitual criminal suffer, by its adoption.

It is true that the indeterminate sentence places an enormous responsibility in the hands of the warden of the penitentiary. It also necessitates an entire change in our point of view toward the criminal. Punishment must no longer be fixed according to the nature of the crime, but must be adjusted to the nature of the man who commits the crime.

(*b*) *Parole System.* The indeterminate sentence presents the objection that it is impossible for prison officials to predict how a man will use his newly obtained freedom.

His conduct within prison walls may be satisfactory enough to win the approval of its officials, but when restraint is removed he may again become morally deficient. Hence, some writers have argued that the prisoner should not be permanently discharged, but only conditionally freed under the system of parole. He is not to be released until employment has been found for him, and he must break loose from his former evil associations. He must return periodically to the officers of the law, with a report from his employer and perhaps from another reputable citizen. At the end of his term of sentence, the convict is relieved of this supervision which has been a good preparation for absolute freedom. If, on the other hand, he violates his parole or again falls into evil ways, he is returned to jail.

The parole system has many good features, but, like many other prison reforms, it is difficult of administration. Unreformed criminals have been known to forge reports and, meanwhile, resort to their old practices. The administrator should always hesitate about furnishing parole to the habitual criminal. The commission of serious crimes by paroled prisoners has shaken the confidence of many people in the parole system.

(*c*) *Probation.* Instead of being sentenced to the county jail for a misdemeanor, a first offender, unless a vicious character, might be put on probation. When work has been secured, he would be visited regularly by the probation officer. For the first offender, fear of imprisonment may be a great deterrent. But on the other hand, if he were imprisoned, he might lose all hope of an honest future.

(*d*) *Fines.* In certain cases, fines may be substituted for imprisonment, but some method should be devised whereby poor offenders may be able to discharge their indebtedness in installments and thus avoid jail. Fines, however, have little reformative value to the criminal and frequently work great hardship to his poverty-stricken family.

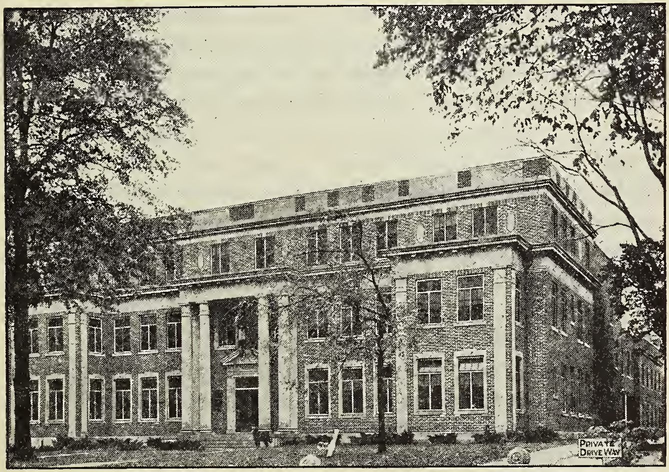
(*e*) *Reparations.* Reparation or compensation to the injured party should be required as the condition necessary to suspending a sentence of hard labor. This is not only just to the injured party, but also of disciplinary value to the offender.

(*f*) *Criminal Colonies.* Transportation of criminals has sometimes been used as a substitute for imprisonment, but the results have not always been good. Australia was originally used as a penal colony, but the practice was finally stopped after numerous appeals from the non-convict colonists who had migrated to Australia after the discovery of gold. For vagrants, feeble-minded, and certain other classes of delinquents, agricultural colonies under strict supervision have been advocated. To be effective, however, such colonies must be kept isolated.

37. Capital Punishment. The abolition of capital punishment has been urged by some writers, who question the right of society to take the life of an individual, while admitting its right to put the offender in permanent custody in order to prevent a recurrence of similar outrages. Others regard the death penalty for murder as just; they plead the old argument of retribution, expressed in the rule of "an eye for an eye and a tooth for a tooth." Others, again, fear that the abolition of capital punishment would lead to a great increase in the number of serious crimes committed.

At the present time, capital punishment exists in most states, but in some states life imprisonment may be substituted for the death sentence. We have seen, however, that the fear of cruel punishment does not always work as a deterrent to crime. At present, the death penalty prevents many juries from condemning criminals whose guilt seems evident. The abolition of capital punishment might thus result in a greater number of convictions for the more serious crimes.

38. Treatment of Juvenile Delinquents. (*a*) *Juvenile Courts.* Juvenile courts came into existence as legal experiments in several large cities. Almost every state has now made permanent provision for them. Some progressive cities and states have also established child-guidance clinics.



Wide World Photo

THE NEW JUVENILE COURT AT MEMPHIS, TENNESSEE

The object aimed at in juvenile cases is to prescribe reformatory treatment for those young persons who seem to be starting on a criminal career. In conjunction with the court, there is a probation officer to investigate the case and to supervise the young delinquent, who is not sentenced to imprisonment, but is allowed to return home on probation.

The court officer watches over his conduct and environment. School attendance or, if beyond school age, the character of employment is especially important in these cases. Home conditions should be good and association with evil companions avoided. No publicity is given these juvenile offenders, who under such circumstances might be tempted to regard themselves as of some importance.

(*b*) *Juvenile Reformatories.* Special institutions are needed for youths who have committed crimes serious enough to send an adult to the penitentiary. A rural environment and the occupation of agriculture are often found to be beneficial, while trade instruction is necessary for those who return to city life. The cottage system of administration in such cases is much more effective than mass treatment in dormitories. Individualization and personal contact are essential in the education and reformation of youthful offenders. The aim of all such treatment is the quickening of the moral sense and the developing of self-reliance in the form of ability to acquire economic independence.

39. Preventing Crime. In order to reduce the amount of crime in society, the environment must be improved by the removal, as far as possible, of its causes. Since the reformation of the criminal is difficult, the prevention of crime should be the aim of society. Three conditions are necessary. In the first place, evils in the environment must be corrected. Furthermore, each child should be afforded proper development through the normal process of education and socialization in the midst of healthy surroundings. Finally, there must be enough control exercised by society over heredity to eliminate, by practical and conservative eugenic measures, the inherently degenerate in society.

Summary. Crime, like poverty, has afflicted society throughout the ages. While the advance of civilization has been attended by a decline in some forms of crime, nevertheless the problem persists. In the United States the spirit of lawlessness is said to be so widepread that some authorities fear it may undermine the very foundations of our established institutions.

One of the comparatively recent forms of lawlessness in the United States has been the growth of organized crime. Racketeering has been a particularly insidious activity of organized criminals. The spread of criminal activities beyond state borders prompted the Federal Department of Justice to undertake drastic measures in order to meet this new problem. The work of this department, especially of the agents known as *G-men,* has been notably successful.

Crimes are classified as felonies and misdemeanors. They may also be classified as crimes against persons, crimes against property, and crimes against the social order. Crimes are likewise divisible into crimes by accident, crimes of passion, and crimes of premeditation. Criminals are classified as the born, the habitual, and the occasional offender.

The causes of crime, like those of poverty, are found in both the social environment and in the individual himself. Individual causes often express environmental evils, but some are hereditary.

There has been a wide variation in methods of determining the guilt of a person suspected of crime, and in methods of dealing with him after his guilt has been established. Our modern trial by jury has been the result of a gradual evolution from the methods used in medieval trials. While the adoption of the jury system marked a great advance over previous methods of trial procedure, nevertheless the defects in this system, as we know it today, are obvious. Among the reforms recommended in trial procedure are increased speed of trials, elimination of excessive publicity, a more scientific study of those brought to trial, greater uniformity in the administration of the law, and a stronger effort to impose punishment that fits the needs of the criminal.

Public attitudes toward punishment of criminals have undergone many changes. At first, society was moved by a spirit of revenge. Later, punishments were imposed on the criminal for the purpose of deterring others from committing crime. Today, the belief is gaining adherents that crime is a social disease; a greater effort is being made not only to reform the criminal but also to prevent crime. The changed social attitude has been reflected in methods of punishment. Today, there are many persons who are even advocating the abolition of capital punishment.

The recognition of different criminal types has led to a belief in a more individualized treatment of criminals than has been provided for in our modern penal system. Prison reforms, of various sorts, have been recommended by eminent penologists. It is a hopeful sign that in some of our penal institutions, reform measures are being applied.

The advisability of affording juvenile delinquents individualized treatment has led to the establishment of reform schools for youths, juvenile courts, and child-guidance clinics.

Since the reformation of the criminal is difficult, efforts of society should be directed toward the prevention of crime through improving environmental conditions, through developing good citizenship qualities in the youth, of the land, and through segregating the inherently degenerate.

Word Study: Delinquents, dependents, defectives; patriarchal; theocracy; homicide, blasphemy, heresy, *lèse majesté,* felony, misdemeanor, vagrancy; G-men; immunity; atavism; imbeciles, morons, abnormalities; compurgation; jurisdiction, jurisprudence; subpoena, parole, probation, indeterminate sentence; penal, penal institution; penology, criminology, psychology, sociology; preventive, conducive, deterrent; jury, juvenile; ordeal.

QUESTIONS ON THE TEXT

1. Show the extent of crime in the United States. Why is it difficult to determine?

2. Has there been any evidence of an increase in crime? Explain.

3. Define crime. Did the early definition of crime include any aspect which affected society?

4. What types of criminal activities confronted ancient and medieval societies?

5. Discuss organized crime. What is racketeering? What factors have contributed to the rise of organized crime?

6. Who are the *G-Men?* Have their activities had any influence on the extent of crime in the United States?

7. Distinguish between several kinds of crimes.

8. Give a simple classification of criminals.

9. What influences in the physical environment affect conduct? Explain several.

10. Discuss some causes of crime existing in the economic organization. In the social organization.

11. Show the relation between crime and hereditary degeneracy.

12. Describe the various kinds of trials used in the Middle Ages.

13. What reforms did Henry II introduce? Why? How?

14. Distinguish between the petty jury and the grand jury.

15. Follow the trial of a criminal from his arrest to his conviction. Show the duties of the various judicial bodies and officers.

16. What are some of the defects in the jury system? What are some advocated reforms?

17. How has the point of view toward the criminal changed? Outline the three stages.

18. Discuss the early treatment of the criminal.

19. What different types of institutions are needed in an adequate prison system?

20. Give the arguments for and against the indeterminate sentence.

21. Explain the parole system.
22. Describe the work of the juvenile courts.
23. What should be the aims of measures to prevent crime?

Application and Interpretation

1. Have there been any evidences in your community of the alleged increase in the spirit of lawlessness? If so, explain.

2. Name some offenses which were formerly regarded as criminal, but which are no longer so regarded.

3. How is wholesome family life a preventive of crime?

4. Enumerate some social customs which are conducive to crime.

5. Are there any conditions in your community which are conducive to crime? Discuss.

6. What do you consider the most serious defect in the conduct of jury trials? What remedy would you suggest?

7. Enumerate several agencies in your community which aid in preventing crime.

8. Do you favor capital punishment? Give reasons for your answer. Does your state impose the death penalty?

Suggested Activities

I. Prepare talks on the following subjects:
1. Organized crime in the United States.
2. Work of the *G-men.*
3. Evolution of our modern system of trial by jury.
4. Juvenile delinquents.
5. Penal institutions of your own community.
6. My suggestions for reducing lawlessness in the United States.

II. Have a committee attend a trial and make a report on this experience to the class.

III. Draw cartoons illustrating:
1. Effect of organized crime.
2. A modern trial of a notorious criminal.
3. A good effect and a bad effect of the parole system.

IV. Prepare a debate on:

Abolition of capital punishment.

V. Current Events Program.—Consult recent magazines, current-event publications, newspapers, and the *Readers' Guide to Periodical Literature.* Read articles which deal with the current phases of the subjects discussed in this chapter, and present a digest of them to the class.

VI. Secure for bulletin board and scrapbooks, clippings in the form of newspaper articles, editorials, cartoons, and other illustrative material dealing with subjects discussed in this chapter.

VII. Have a committee visit some penal institution in the community. Make a report to the class. Use the report as the basis for class discussion.

VIII. Have a committee

1. Investigate the extent of juvenile delinquency in the community.
2. Explore the community to discover conditions which might encourage juvenile delinquency.
3. Consider possibility of forming a club to provide recreation for boys who lack wholesome recreational facilities.

IX. Secure, if possible:

1. Speaker who can talk on law enforcement, or methods of detecting criminals.
2. Moving picture which shows conditions which cause crime and measures to reduce crime.

Collateral Readings

Brainard and Zeleny—*Problems of Our Times;* Vol. I, Chap. XV, "Crime"; Vol. II, Chap. XX, "Crime Prevention"; Vol. II, Chap. XXI, "Crime Control."

Cooper—*Ten Thousand Public Enemies.*

Eldridge and Clark—*Major Problems of Democracy;* Chap. XV, "Crime and Juvenile Delinquency."

Ellwood—*Social Problems—A Sociology;* Chap. XIV, "Crime."

Gavian, Gray, Groves—*Our Changing Social Order;* Chap. XIX, "Crime and the Criminal."

Hart—*Visualized Problems of American Democracy;* Chap. XII, "Crime and the Criminal."

Kinneman, Browne, Ellwood—*The American Citizen;* Chap. IX, "Domestic Protection."

Landis and Landis—*Social Living;* Chap. XX, "Juvenile Delinquency"; Chap. XXI, "The Crime Problem."

Lawes—*Life and Death in Sing Sing.*

————*Twenty Thousand Years in Sing Sing.*

Towne—*Social Problems;* Chap. XI, "Crime and Punishment."

Advanced Readings

Beach and Walker—*American Social Problems;* Chap. XIV, "Crime and Its Treatment."

Beard—*Juvenile Probation.*

Cantor—*Crime, Criminals, and Criminal Justice.*

Davis, Barnes, and others—*Introduction to Sociology;* Book IV, Chap. VI, "Crime and the Criminal."

Gault—*Criminology.*

Gillette and Reinhardt—*Current Social Problems;* Chaps. XXVII and XXVIII, "Crime: Its Causes and Prevention."

Glueck and Glueck—*500 Criminal Careers.*

Haynes—*Criminology.*

Mangold—*Problems of Child Welfare;* Part V, "Juvenile Delinquency."

President Hoover's Committee—*Recent Social Trends;* Vol. II, Chap. XXII, "Crime and Punishment."

Ross—*Sin and Society.*

Sutherland—*Principles of Criminology.*

Wilson—*The Crime of Punishment.*

References

National Commission on Law Observance and Enforcement—*Reports.*

National Education Association—*Crime Prevention through Education.*

Social Work Year Book.

Statistical Abstract.

United States Department of Justice
Bureau of Investigation—*Reports.*

White House Conference on Child Health and Protection—*Report: The Delinquent Child.*

CHAPTER XXIII

CARE OF THE PHYSICALLY AND MENTALLY HANDICAPPED

Objectives:

(1) To show the significance, extent, nature, and causes of major physical and mental handicaps.

(2) To examine methods of treating the physically and mentally handicapped.

A. Society's Interest in Its Handicapped Members

1. Social Significance of Physical and Mental Handicaps. Estimates indicate that there are in the United States today approximately two million people who are afflicted with some major physical or mental defect. In this group are the blind, the deaf, the crippled, the insane, and the feeble-minded. The handicaps suffered by these unfortunate individuals not only impair their own usefulness and happiness, but also impose a heavy burden upon their families; in many cases, they are contributory factors in causing poverty. The preceding chapter noted the existence of a marked relationship between feeble-mindedness and crime. The physically and mentally handicapped, therefore, constitute a serious problem for society.

In recent years, institutions for the mentally handicapped have been taxed to capacity and the cost of maintaining these institutions has taken an increased share of the public funds. The mounting cost of caring for these social debtors has focused the attention of society upon the great need of measures which will prevent physical and mental handicaps; it has also aroused a greater interest in social-security legislation.

2. Ancient and Modern Viewpoints. Social attitudes in regard to the handicapped have undergone as great a change as those which marked the viewpoints regarding poverty and crime. In an earlier period, a crippled condition of body or mind was accepted, and the unfortunate members of society were left to languish in their wretchedness. Afflictions were sometimes looked upon as blessings sent by a God who chastened those whom He loved. They were also regarded as punishments inflicted by a supernatural power for the commission of some evil deed by the afflicted person or his ancestors.

One of the distinguishing characteristics of our own age is the interest of society in the care of the unfortunate. Today, the physically and mentally handicapped are recognized as a public responsibility. Instead of the ''do nothing'' policy of the past, society seeks not only to ease the suffering and unhappiness of its afflicted members, but also to remove the causes of their handicaps.

Modern science has shown that many afflictions can be prevented or cured, and that with proper care some handicapped individuals can be restored to useful, normal lives. It has also been found that many of them can be trained to contribute something to their own support, if not to earn their own livelihood. Many people have lived lives of great usefulness in spite of serious physical handicaps.

B. The Physically Handicapped

3. Blind. (*a*) *Number and Distribution.* It is difficult to estimate exactly the number of the blind in the United States because of the frequent classification of the partially blind with the totally blind. In 1930, the Bureau of the Census reported 63,489 persons totally blind. The proportion of males among the blind is higher than that of females because many men lose their vision through explosions and other industrial accidents. Almost half the blind are reported as being sixty years of age or over. It is therefore evident that blindness is associated with advancing age and with declining physical vigor.

(*b*) *Preventive Measures.* For the good of future generations it is imperative that eyesight be properly safeguarded. Greater precautions must be taken in the schoolroom, the home, the factory, and other places of employment. The correction of errors of vision by the use of glasses may help to prevent future blindness. Today the problem of safeguarding sight is viewed as a social, as well as an individual, concern.

Blindness from infancy is not uncommon. A large proportion of this physical defect is due to a disease known as ophthalmia, an infant blindness, which has been estimated to cause about one tenth of all cases of blindness. Ophthalmia often occurs in cases where a parent is diseased, but it may be prevented in almost every instance by washing the eyes of the new-born babe with a very weak and carefully prescribed solution of silver nitrate. This preventive measure is rarely practiced properly if at all by the ignorant attendants at the births of many infants in our poorer homes. For this reason the presence of a physician is advisable at each birth, as well as free maternity hospitalization for those too poor to pay for private medical attendance.

While conditions of modern civilization are especially severe on the eyes, the advance of medical science may counteract the tendency toward defective vision. It is by reason of this fact that the proportion of blind of school age is not increasing, but actually decreasing.

(*c*) *Education of the Blind.* There are at present about fifty residential schools and twenty day schools for the blind in the United States, with an approximate attendance of six thousand students. Schools for the blind were first established by private funds in Boston, New York, and Philadelphia; but all the states are now making special provision at public expense for the education of this group of unfortunates. The course includes the usual elementary branches, with special instruction in reading, writing, and industrial training.

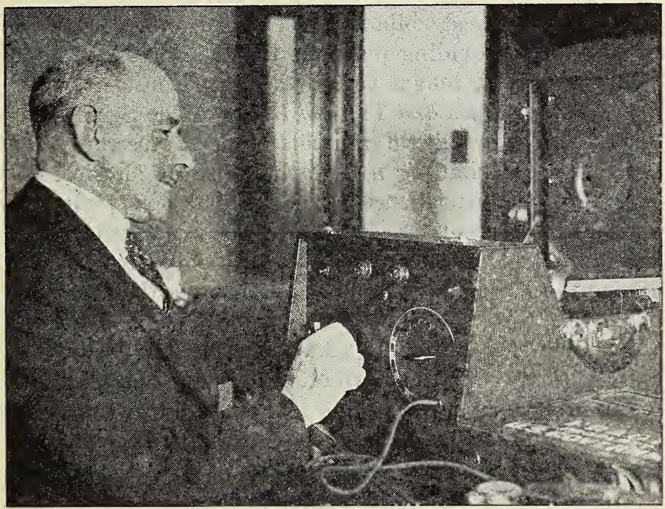
The first system of printing devised for the blind was by means of raised letters. The system of Louis Braille, however, employs raised dots, which are easier for the blind to make and to read than are raised letters. Many blind persons can not only write Braille for those who are blind, but can also operate by the touch system an ordinary typewriter to communicate with those who can read the printed page.

In many public schools in our larger cities special classes for the blind are maintained. This arrangement does not necessitate their leaving home to live in a distant institution. Nevertheless, some parents have not seen the necessity of educating their blind children, for the census reported that many of them were not in attendance at any school.

It is surprising to learn how much can be done by modern educational training to make blind children independent and self-reliant. Other faculties can be trained to do a large part of the work ordinarily done by the eyes. When blindness occurs, the sense of touch becomes so highly developed that it can be utilized in many desirable ways. Treatment of the blind, however, is made difficult by the fact that a large proportion of them suffer from other defects as well. Physical exercise, especially of a corrective nature, is imperatively needed.

Industrial education must also be emphasized. The blind should be taught manual training, as well as such handicrafts as chair-caning, broom-making, and carpet-weaving. Employment is necessary to keep the blind from dwelling on their misfortune and from becoming morbid and melancholy.

(*d*) *Economic Independence.* Another equally important reason for occupation is the necessity for securing economic independence. The blind beggar on the street is not only a pathetic figure, but often a cause of misdirected charity, injurious to himself as well as to the community. The number of blind engaged in gainful occupations is encouraging, and the movement should be fostered. Several states have established special workshops for the blind, where they can find certain types of work adapted to their abilities. Special employment agencies are on the lookout for positions which they can creditably fill. The adult who becomes blind in mature years, through accident or loss of physical vigor, is the most unfortunate of this entire group, for a complete readjust-



Courtesy of American Foundation for the Blind, Inc.

A TALKING BOOK FOR THE BLIND

ment of his way of living is necessary in his case.

(*e*) *Pensions for the Blind.* Governmental pensions to the blind are now common. New York City has adopted a system of granting pensions as a subsidy to those blind adults who are trying to be self-supporting. The Federal Social Security Act of 1935 contained a similar provision for assisting by a subsidy those states giving pensions to their needy blind. Most states, therefore, have passed laws providing pensions for the deserving blind who are thus no longer forced to depend on charity.

(*f*) *Seeing Eyes and Talking Books.* The Seeing-Eye dogs, highly intelligent animals, trained to guide the blind, are contributing a large measure of physical security and independence to blind persons fortunate enough to possess them. ''Talking books'' which are being developed on phonograph records will also greatly extend the horizon of the blind by enabling them to read by ear.

4. **Deaf and Dumb.** In addition to the blind, the deaf and the dumb constitute two other classes of physical defectives. Some unfortunates possess all three defects. At one time the celebrated Helen Keller was in this group. Later, however, with the help of a splendid teacher, she learned to talk.

Inability to speak has been found in many cases not to be due to any defect in the brain or speech organs. Deaf mutes are often unable to speak, or are forced to speak imperfectly, because of their inability to hear. Many have never learned to talk merely because of the lack of opportunity to hear themselves and others speak.

(*a*) *Prevalence of Deafness.* There are apparently more deaf than blind people in the United States. So many degrees of deafness exist, that it is even harder to estimate exactly the number of deaf than to approximate the number of blind persons. In round numbers, the sum total approaches one hundred thousand and does not seem to be decreasing in proportion to the total population as does the number of blind people. The number of deaf mutes reported by the Bureau of the Census in 1930 was 57,084, fairly evenly divided between men and women. What proportion of these are really dumb and what proportion have simply never learned to speak because of their deafness cannot be ascertained. The number of blind deaf mutes reported in 1930 was 1,902.

(*b*) *Causes of Deafness.* There are numerous causes of deafness, but the most common are, perhaps, accident and disease. Adults are often attacked by catarrhal colds and diseases of the ear. In the young, scarlet fever, meningitis, and adenoids stand out conspicuously as causes of deafness. The geographical environment may be influential. The mountainous country of Switzerland has a high rate of deafness, while inhabitants of the low country of the Netherlands have a lesser one. This difference, however, may be due to other than geographical causes.

Physical heredity, like physical environment, is another factor, the importance of which is difficult to ascertain. The marriage of deaf people, with whom deafness is inherent and not merely acquired, will often result in the reproduction of deaf children. About one fifth of all the deaf are born deaf, and a large proportion of these come from totally or partially deaf parents. It has been claimed that about 4 per cent of the deaf are offspring of consanguineous marriages; that is, marriages between near relatives, who are therefore apt to possess a somewhat similar heredity. If defective hearing should exist in both parents, the likelihood of the child inheriting this physical handicap would naturally be increased. There is little, however, to prove that consanguineous marriage is, in itself, a cause of deafness, provided the defect does not exist in parental heredity.

(*c*) *Education of the Deaf.* The education of the deaf is highly important, because, as we have seen, many deaf people can be taught to speak in some measure. When the speech organs or brain centers are defective, the sign language can be utilized as a method of communication. For those who are merely deaf and have the ability to speak, the reading of the lips of the speaker will enable the conversation to be followed. The ability to understand what is being said by watching the lips of the speaker is now being taught, and the facility of the deaf in lip reading is sometimes marvelous.

It is naturally easier for the deaf to pursue higher education than it is for the blind. The Gallaudet College, located at Washington, offers them collegiate work. Most states have established free or low-cost boarding schools for the education of deaf youths within their borders. Most large cities have day schools, or special classes in the ordinary schools, for the education of deaf pupils. Like similar classes for the blind, they possess the advantage of allowing the children to live in their own homes and to mingle with other normal children. Industrial training is important for their economic independence. The number of occupations open to the deaf is far in excess of those open to the blind, and as a result, most of the deaf may become entirely or partially self-supporting.

5. Crippled. (*a*) *Self-support.* Some physical deformities exist from birth, due at times to hereditary causes. Many persons, however, are crippled because of accidents.

Many cripples can become self-supporting in whole or at least in part. Railroads, for example, often give such positions as flagman to men crippled in their service. The aim should be to prevent the crippled from becoming beggars on the streets. Frequently they evade the law by becoming venders of small articles which the "purchaser" seldom takes. Crippled peddlers should not be allowed to trade on their misfortunes. This is as demoralizing to themselves as to the community. It may also lead to the feigning of injuries to excite the pity and generosity of the passer-by. Personal interest, not merely a financial contribution, will accomplish the best social results. The local charity society will strive to find honorable positions for such unfortunates and may look after them until they become self-supporting.

In cases of very serious injury, when they have no income or relatives capable of supporting them, the crippled may become inmates of a special home for incurables. The Federal Social Security Act made provision for assisting states in the care of the crippled as well as the blind.

(*b*) *Automobile Casualties.* The extensive use of the automobile in modern life has increased the motor-accident rate to about a half million accidents a year. Our highways have become as dangerous as our factories. Each year the number of persons killed and maimed in automobile accidents reaches a staggering total.

In 1938, however, the annual number of automobile fatalities in the United States decreased for the first time by several thousand. This remarkable achievement was due, in large measure, to an effective safety campaign conducted co-operatively by various public and private organizations.

(*c*) *Ravages of War.* The World War took an unprecedented toll of human life. Excluding the women, children, and aged, who perished of famine and starvation in the devastated regions, the total number of soldiers killed in the warring nations was not far from ten millions. The wounded in any army are usually in excess of the number killed. Until the present generation passes away, therefore, Europe will have a great proportion of its male population made up of the crippled. Since American participation in the war was shorter, the number of Americans killed and wounded was correspondingly less. Later wars in Ethiopia, China, Spain, Poland, Finland, and other parts of the world have continued to kill and injure many men, women, and children.

(*d*) *War-Risk Insurance and Compensation.* To meet this situation, the Federal Government substituted an excellent system of social insurance for its former war pensions. Cheap life-insurance policies could be obtained by the men at enlistment. Special legislation provided compensation for those who were injured, as well as for the dependents of those who lost their lives. In the years following the First World War the American Government paid bonuses and adjusted compensation to its veterans.

(*e*) *Rehabilitation of the Injured.* At the close of the war, plans for the rehabilitation of the soldiers were considered. Modern medical science was called upon for the physical reconstruction of the sick and injured. The mental side also was emphasized. Duly qualified men were sent to technical schools and colleges. The government gave vocational training and taught illiterates to read and write. The aim was to make the injured men as nearly self-supporting as possible. Nothing in this entire program was considered as charity, but merely as the best efforts of an enlightened modern democracy to do what it could for those who fought for its preservation. The same fine spirit which won the war stimulated the injured veterans in their quiet but heroic struggle for economic independence.

C. The Mentally Handicapped

6. Extent and Cost of Mental Handicaps. In 1931, there were about one third of a million mental patients in the various state hospitals of the United States. This number represented only the institutionalized cases in public hospitals and state asylums. The total number of the mentally diseased and feeble-minded in the entire population was estimated to be close to a million. During the period from 1922 to 1931, the number of hospital cases increased by about 80,000. In the year 1930, the care of the mentally handicapped in state hospitals alone cost over $100,000,000, or over $300 a patient.

7. **Insane.** (*a*) *Number and Increase.* Of the million or more persons in the United States believed to be afflicted with mental handicaps, estimates by the United States Health Service indicate that about half this number fall within the various groups included under the general term *insane.* There are indications that the number of insane is increasing. The increase in both the amount and the cost of insanity must be somewhat discounted because many cases of insanity, formerly concealed, are now being disclosed and cared for in public institutions. Also, since the lives of the insane are being preserved by modern medical science, there is a natural increase in the total number of insane patients. Cases of insanity show a decided excess of adults over the young.

(*b*) *Causes.* Among the various interrelated causes of insanity, hereditary predisposition may first be mentioned. Although insanity may seem to run in families, its relation to heredity is not so clearly established as is that of feeble-mindedness. It would seem that insanity is more an acquired characteristic than an inherent one. However, a mental weakness or nervous instability may be inherent in certain family stocks and, under pressure of circumstances, an individual of such ancestry is more apt to become insane than one who has inherited a sounder and stronger mental constitution.

A second cause is immorality, which produces terrible diseases leading to insanity. Children of parents suffering from such diseases are more likely to be mental defectives than those of healthy parentage. Again, immorality and its resultant diseases may produce mental disorders in the individual himself. Softening of the brain and insanity often follow in later life as a result of vice in early or middle life.

Alcoholism is not only a result of mental weakness but also an important cause of insanity, which may appear either in the individual guilty of such excess or in his offspring. Fracture of the skull, bone pressure, blood clots, and lesions of the brain may also result in insanity. Finally, bad mental habits may be the cause of an unbalanced mind. Worry, shock, fright, overwork, severe mental strain, and anxiety are frequent causes of insanity, particularly when the mind is not naturally strong, or is particularly sensitive.

(*c*) *Attitude toward the Insane.* In ancient times, the insane were regarded as possessed by devils. Their incoherent statements were sometimes considered prophetic utterances, and their wild actions were ascribed to supernatural influences. Even within relatively modern times, and upon American soil, mental defectives have been charged, and even been hanged, as witches. Lunatics have often been put in prison and bound in chains for safekeeping. Modern science, however, insists on medical treatment for the insane in addition to detention. If such cases are diagnosed as soon as signs of mental disorder manifest themselves, it is often possible to effect a cure.

The insane of wealthy families may secure proper treatment in numerous private asylums, but insane paupers generally receive inadequate care. Many are kept in the almshouse in special cells and little attempt is made at curative treatment. Some insane are still confined in jails and prisons.

(*d*) *Types of Insanity.* Insanity may take such diverse forms as melancholia, paranoia, or hysteria. The monomaniac is the individual whose mind is unbalanced in one direction, while the maniac is one whose mind does not function properly on any subject. Many asylums group their patients according to ease of administration. The noisy patients, the filthy, and the orderly are the usual distinctions.

A good working classification of insane patients is that of acute and chronic cases. For the chronic cases, kindly custodial care is needed; but for the acute cases, medical treatment may result in considerable improvement. Persons afflicted with a mental malady will often recover, if at all, within the first year; hence the need of haste and the necessity for individual attention. There is little definite knowledge of permanent cures for those afflicted with obscure mental maladies, but much has been accomplished by the use of massage, baths of various kinds, electricity, varied diet, and general mental and physical rehabilitation.

8. Epileptics. Epileptics must be treated as a special class of mental defectives. Epilepsy itself is a little understood malady, the causes of which are very obscure. The ordinary manifestations of the disease are convulsions, of greater or less severity, at varying intervals. The lives of many otherwise intelligent and useful people are overshadowed by a dread of these terrible attacks. Many feeble-minded, however, are also epileptic, and epilepsy is a common trait of criminals. About half of the children of epileptic parents are epileptic, and nearly all of the other half show serious defects of different kinds. It is therefore the duty of society to discourage the propagation of such people.

Special provision should be made for their custody, for the public care of epileptics in the United States is inadequate. They are either left at large or are placed in almshouses and insane asylums, in neither of which institutions do they receive proper care. Special colonies should be founded for epileptics, who need a quiet outdoor life, a careful diet, and mental and physical occupation in agreeable surroundings.

9. Feeble-minded. (*a*) *Contrasted with Insane.* Feeble-mindedness must be distinguished from insanity. The insane suffer from a discontinuance of the normal working of the mind; the feeble-minded from an undeveloped mentality. The brain of the insane represents a a broken or impaired mental machinery, while that of the feeble-minded has been of low caliber from childhood. An adult whose intelligence has been normal may become insane in later life, but the feeble-minded are generally such from birth. They have inherited a low-grade mentality. Again, an insane person may have all his faculties, but they have ceased to work in unison. On the other hand, a feeble-minded individual has been born with some faculties lacking.

(*b*) *Extent of Feeble-mindedness.* The number of feeble-minded is alarmingly great. Conservative estimates made in Great Britain and the United States fix a proportion of one feeble-minded to every two hundred or two hundred and fifty of the population. The grades of mentality shade so gradually from the normal to the subnormal, that it is difficult to estimate even approximately the number of feeble-minded. It is certain, however, that there are more feeble-minded than insane persons.

(*c*) *Mental Tests.* An attempt has been made to fix the standard of intelligence for each year of mental development in the life of an average child by the system of Binet tests. This provides a series of questions for each year of childhood. Their character is practical, and the subjects are chosen from the child's everyday experience. They become more difficult and require more thought for each advancing year. On the basis of satisfactory answers to the majority of the questions in each series, a child's mentality is classified as, for example, that of a normal eight year old or that of a ten year old.

Since psychological or mental experiments are rarely so exact as those of physical science, the results of the Binet tests of mentality cannot be regarded as absolute. By such a general scheme, however, the feeble-minded are classified according to their mental age, irrespective of their actual age.

(*d*) *Classification of Feeble-minded.* There are three main groups of the feeble-minded: idiots, imbeciles, and morons. A mentality equal to that of a normal child of two years belongs to the idiot class. The members of this class cannot care for themselves or learn to speak, and many are physically deformed and misshapen. Since they are generally short-lived and cannot reproduce, this class is not self-perpetuating. The group whose mentality may advance further, but is limited to that of a normal eight-year-old child, constitutes the imbecile class. Members of this group may live to maturity, but their mentality, actions, and conduct will be those of a young child. The moron represents the mental ability of normal children between eight and twelve years of age. This is the most dangerous group because it so nearly approximates the normal. These morons—child adults—mingle with the rest of the world unnoticed by the casual observer.

(*e*) *Causes.* Although vice and alcoholism sometimes result in forms of insanity, feeble-mindedness is generally due to hereditary causes. While it is true that this taint may pass over certain individuals and even generations, feeble-mindedness nevertheless runs in families. The Mendelian law of heredity throws some light upon the probable proportion of feeble-minded offspring to normal-minded offspring born of the union of a normal person with one who is feeble-minded. The mating of two feeble-minded persons, however, seems certain to produce only feeble-minded offspring. It would thus appear that feeble-mindedness is not usually an acquired trait, but is generally inherent in the germ cell.

The hereditary character of feeble-mindedness has been shown clearly by studies of various families like the Kallikaks, the Pineys, the Ishmaelites, and the Smoky Pilgrims. Here it has been seen to persist in particular families and to be widespread in certain isolated localities, where these defectives have increased their kind. From such studies it has been generally concluded by sociologists that nearly all cases of feeble-mindedness are hereditary. It must be said, however, that some feeble-mindedness, like the ''Mongolian'' type, has appeared in families whose heredity fails to furnish any feeble-minded ancestry.

(*f*) *Dangers.* A very small proportion of the feeble-minded are confined in institutions. The vast majority of these physical adults with childish minds are at large in society and a constant menace to its welfare. They react easily to suggestion, for restraint is a characteristic of the adult mind. The feeble-minded naturally find it difficult to compete with those of normal intelligence, and a larger number are dependents on charity or inmates of the poorhouse. Possessing the physical strength of adults, they become, through their mental deficiency, a constant source of delinquency. Indeed, many are moral imbeciles, incapable of distinguishing right from wrong. Dr. Goddard estimated that about half the inmates of almshouses, reformatories, and prisons were feeble-minded persons.

(*g*) *Custodial Care.* The cost to the state in crime and pauperism of the feeble-minded would justify the expenditure of a large sum of money for their custodial care. If they are permitted at large, they will continue to reproduce their kind and to lower the average level of intelligence throughout society. There is especially great danger from the moron group, who closely approximate the physically normal, but who transmit the hereditary trait of feeble-mindedness to their offspring.

If society ever expects to reduce the number of these defectives, the need of custodial care for the feeble-minded is imperative. They must be segregated and prevented from mating. This course is best suited to their own real happiness because they delight in the amusements and toys of childhood. They take pleasure in playing with other children of the same mental age. In this manner, they would no longer be exploited or tempted by those of mature intelligence. Little hope, however, can be held out for their ultimate advancement. Feeble-mindedness is apparently incurable.

Courtesy of Vineland State School

HEALTH AND WORK AT THE VINELAND STATE SCHOOL
This pupil, whose mental age is 3, is being given an advanced lesson in weeding.

Nothing can be done for idiots except to satisfy their physical wants. Imbeciles do not require such constant attention and may be taught to care for themselves. The morons, however, are capable of receiving an education equivalent to that of children of corresponding mental age. Manual training may teach them to use their hands productively.

Few states have met the problem of the feeble-minded by providing for their permanent custodial care in special institutions. Indeed, there are not nearly enough such institutions to care for this defective group. The institution for the feeble-minded at Vineland, New Jersey, is deserving of special mention, for here Dr. Goddard carried on his valuable investigations.

Summary. It has been estimated that approximately two million people in the United States are totally incapacitated or seriously handicapped by physical or mental defects. This group of unfortunate individuals includes the blind, the deaf, the crippled, the insane, and the feeble-minded.

In early days, these people would have been left to their own resources; but today, more and more people are viewing them as a public responsibility. Modern society seeks not only to bring about as complete a social adjustment as possible for the afflicted but also to determine the causes of their handicaps in order to adopt preventive measures. This modern point of view is being reflected in an increased interest in social-security legislation which will make provision for the physically and mentally handicapped.

Among the causes of blindness are eyestrain, accident, ophthalmia, and other diseases. The modern treatment of the blind has been distinguished by the establishment of schools for their education. Industrial training is especially important and is receiving greater attention. Helpful devices have been perfected to assist in the education of the blind.

The most common causes of deafness are accident and disease. Great progress has been made in the treatment of the deaf. Educational efforts have been attended with considerable success.

The use of machinery in modern life has increased the number of cripples in our population. The wide use of the automobile in recent years has further increased the number of these unfortunate individuals. Through proper care and training, many cripples can be made self-supporting. The work of the Federal Government with crippled soldiers showed what can be done along the lines of rehabilitation.

The mentally handicapped present a problem even more serious than that of the blind, the deaf, and the crippled. The mentally handicapped fall into two groups: the insane and the feeble-minded. Among the causes of insanity are a neurotic heredity, immorality, alcoholism, injuries, and nervous strain induced by worry, shock, fright, or overwork. Modern science has shown the need of adequate medical treatment in addition to, or instead of, the mere custody of the afflicted individual.

Among the mentally handicapped may be included the epileptics. Because of the peculiar nature of epilepsy, the victims of this malady need special care.

Those individuals with undeveloped minds are called feeble-minded. In this group are found idiots, imbeciles, and morons. Morons are particularly dangerous because they mingle freely with normal people. Bad heredity appears to be the most important cause of feeble-mindedness, with vice and alcoholism serving as contributory causes. The greater part of the feeble-minded population is at large. The welfare of society, however, requires that custodial care be provided for this class of mentally handicapped persons.

Word Study: Ophthalmia; deaf mute; consanguineous marriages; casualties, fatalities; feeble-minded, insane;

hereditary predisposition; diagnosed; melancholia, paranoia, hysteria; monomaniac, maniac; acute, chronic; custodial care; epileptics; idiots, imbeciles, morons; psychology, psychiatry; alien, alienist; chase, chasten, chastity; affliction, affection, affectation; reconstruction, rehabilitation.

Questions on the Text

1. Show the change in public attitude toward afflicted members of society.
2. Discuss the extent and causes of blindness in the United States.
3. What provisions are made today for the care of the blind? Why is industrial education for the blind important?
4. Discuss the extent and causes of deafness in the United States.
5. Distinguish between insanity and feeble-mindedness.
6. What are some causes of insanity?
7. Discuss the early treatment of the insane. What progress has been made in the care of the insane?
8. Distinguish between maniac and monomaniac.
9. Is insanity hereditary? Explain.
10. What are the three main classes of the feeble-minded? Define each.
11. Show the relation between heredity and feeble-mindedness.
12. What suggestions are made in the text for the treatment of the feeble-minded?

Application and Interpretation

1. Discuss precautions which should be taken at home and in school in order to safeguard eyesight.
2. Review the Federal Social Security Act and discuss its relation to the blind and the crippled.
3. What should you, as an individual, do for the crippled beggar on the street?
4. Why do you consider it important for your state to educate and train the physically handicapped?
5. Is there any evidence in your community to show a relation between the handicapped individual and the reckless driver?

6. Is it worth while to attempt to educate the feeble-minded? If not, why not? If so, how?

7. Why are morons particularly dangerous in society?

SUGGESTED ACTIVITIES

I. Prepare talks on the following subjects:

1. Helen Keller.
2. Braille System.
3. Seeing-Eye Dogs.

II. Draw cartoons illustrating:

1. Causes of blindness.
2. Relationship between the reckless driver and the physically handicapped.

III. Write an essay presenting your own views on the responsibility of society for the care of the handicapped.

IV. Have a committee visit some local institution for the care of the handicapped and present to the class an account of the activities carried on there.

V. Have a committee obtain the following information:

1. Number of blind, deaf, crippled, insane, and feeble-minded in institutions of your state.
2. Institutions provided by your state for the care of the handicapped, and the cost of maintaining them.

VI. Current-Events Program.

Consult recent magazines, current-events publications, newspapers, and the *Readers' Guide to Periodical Literature.* Read articles dealing with subjects discussed in this chapter. Present digest to class.

VII. Secure, if possible, a moving picture which features "Safety First" or accident prevention.

COLLATERAL READINGS

ELLIOTT, MERRILL, WRIGHT—*Our Dynamic Society;* Chap. XV, "The Mentally Disabled."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XII, "Mental Health."

GODDARD—*The Kallikak Family.*

KELLER—*The Story of My Life.*

TOWNE—*Social Problems;* Chap. IX, "The Blind and the Deaf"; Chap. X, "The Feeble-minded and the Insane."

WALLIS and WALLIS—*Our Social World;* Chap. XXII, "Mental and Physical Deficiency."

WILLIAMSON and WESLEY—*Principles of Social Science;* Chap. XXII, "Defectives."

ADVANCED READINGS

BEERS—*A Mind That Found Itself.*

BEST—*Blindness and the Blind in the United States.*

BOSSARD—*Social Change and Social Problems;* Part VI, "Problems of Mental Hygiene."

DAVIES—*Social Control of the Mentally Deficient.*

DEUTSCH—*The Mentally Ill in America.*

GILLETTE and REINHARDT—*Current Social Problems;* Part III, "Problems Arising out of Psycho-physical Conditions."

PHELPS—*Contemporary Social Problems;* Part II, "Physical and Mental Sources of Social Problems."

WIGGAM—*The Fruit of the Family Tree.*

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World Conference on Work for the Blind—*Proceedings.*

CHAPTER XXIV

PROTECTING AND IMPROVING THE PUBLIC HEALTH

Objectives:

(1) To point out the importance of health as a factor in successful living.

(2) To show the development of the public-health movement and to examine the work of individuals and agencies in promoting public health.

A. THE SOCIAL SIGNIFICANCE OF HEALTH

1. Importance of Health. Our complex modern life is exacting in its requirements. Efficiency is a byword in our contemporary civilization, and efficiency presupposes mental and physical vigor. Failing in these respects, the individual is handicapped at the outset in his efforts to make satisfactory adjustments to the economic and social environment.

Success in school, as well as in the business and professional world, is dependent, in large measure, on good health. Many cases of retarded progress have been due to the loss of attendance and lack of application occasioned by ill-health. The results in these cases have not always been limited to an inability to take advantage of educational opportunities. They have sometimes been factors in the development of inferiority complexes and maladjusted personalities.

Ill-health was formerly regarded as a matter for individual concern. The widespread suffering and tremendous loss of life that followed in the wake of epidemics of communicable diseases, however, as well as the demands for a high degree of efficiency in our modern industrial society, have changed this earlier viewpoint. The attention that is being devoted to public health today indicates an increased realization of the importance to the community and the nation of a high standard of health throughout its population.

2. Extent and Cost of Ill-health. Although great progress has been made in combating disease, it has been estimated that the number of persons ill at any given time approximates three million. Of this number, a large percentage are working people upon whom illness imposes a severe hardship. In addition to the discomfort suffered, their enforced idleness usually means loss of wages. An investigation conducted by the United States Public Health Service in 1935 and 1936 indicated that every day approximately six million people are unable to work through sickness or injury.

The Committee on the Costs of Medical Care reported in 1932 that every adult is incapacitated because of illness on an average of from seven to twelve days a year. They also pointed out that much of this illness could be prevented or checked if the benefits of medical science were sufficiently extended.

The total amount spent annually for medical services exceeds $3,500,000,000, or an average of $30 a person. Each year an average of $700,000,000 is spent for medicines, and $300,000,000 of this amount goes for patent medicines, many of them of doubtful curative properties.

B. Protecting and Improving Health

3. Public-Health Movement. The great plagues of the ancient and medieval worlds may be attributed to the indifference, ignorance, and superstition of the people of those days. In fact, sickness was regarded in much the same light as was poverty. It was a visitation from God which would cleanse the soul and prepare it for eternal salvation.

With the advance of modern science, a new attitude developed. It found expression in public-health movements, which drew on the combined resources of medicine and sanitation in an effort to reduce the toll of disease and to raise the general level of health. That these measures have attained a significant degree of success is shown in the declining death rate and in the comparative freedom of our people from some of the diseases which were so devastating in their effects before the turn of the century.

Private as well as public agencies have become active in the movement to promote the public health. Increasingly large sums of money have been appropriated for hospitals and medical colleges. Great foundations have been endowed for the purpose of carrying on research in the causes and cures of some of the diseases which constitute the most serious menaces to the public health. Extensive campaigns have been waged to educate the public concerning the advantages of personal hygiene, periodical physical examinations, proper diet, recreation, good housing and working conditions, and vaccination against communicable diseases. Many school systems have included health education in their curricula, and have provided for physical examinations of school children. Eyesight, teeth, malnutrition, and predisposition to tuberculosis have been given special attention.

New techniques, new materials, and a more scientific attitude have added to our knowledge of physical and mental ills; they have also demonstrated the tremendous importance of prevention in solving the problems of ill-health.

4. Victories Gained in the War on Disease. We need not look to the Middle Ages nor to the continents of Europe and Asia for examples of pestilences that have taken a terrific toll of human life. In the nineteenth century, smallpox afflicted thousands of persons in the United States, leaving ghastly scars on the bodies of the survivors. As late as the last quarter of the nineteenth century, yellow-fever epidemics occurred frequently in the deep South. Cases of typhoid fever were numerous and often fatal in many of our thickly populated areas. Diphtheria and malaria were scourges which swept through the country leaving thousands of victims. Tuberculosis, known as the *white plague,* was a dreaded malady which formerly offered little hope for recovery for those it afflicted. Diseases of infancy were responsible for a high mortality rate.

Today, the prevalence of these diseases has been reduced, even though they have not been eradicated completely. The greatest advances have been made in the control of communicable diseases. Many individuals and agencies have devoted labor, time, and financial support in order to bring about these splendid results. Some individuals have been outstanding in the success which has attended their efforts.

Edward Jenner experimented with vaccines and developed a method of immunization against smallpox. Louis Pasteur proved the theory that germs are responsible for communicable diseases. Joseph Lister discovered the use of antiseptics in preventing inflammation of surgical wounds. Robert Koch isolated the tuberculosis bacillus and Edward Trudeau discovered the open-air treatment of tubercular patients. A group of army officials, with Walter Reed at their head, established the correlation between the bite of a mosquito and yellow fever. Roentgen, by means of his X-ray equipment, found that the bones and certain organs of human beings could be photographed, thereby affording an earlier and surer diagnosis of disease than had been possible before. The research of these and other great scientists has contributed much to the notable triumphs won thus far in the long war against disease.

5. Present Scourges of Humanity. It is true that diseases owing their existence to insects, impure food and water, and certain germs are afflicting the human family with less severity. Nevertheless there has been an alarming increase in the number of deaths from degenerative diseases for which there is as yet no adequate cure, or from diseases whose cause is still unknown.

Our study of population in Chapter IV disclosed the fact that a greater proportion of our people than ever before are over forty-five years of age. This new trend in our population has been accompanied by a natural rise in the number of deaths commonly associated with older people. Diseases with the highest death rate today are cancer and heart ailments; scientists are making a vigorous attack upon these modern scourges. Among other diseases increasing the mortality and reducing the vitality of our people are diabetes, appendicitis, rheumatism, nervous disorders, respiratory ailments, and digestive disturbances.

6. Adequate Diffusion of Health Services. While death is inevitable, some recent studies have pointed out that a large number of the deaths recorded each year could have been prevented or postponed. Medical knowledge and practice available have not been sufficiently diffused to meet the needs of all people. Investigations have also indicated that much sickness prevailing today is unnecessary in the light of present medical and scientific knowledge.

The research carried on by the Committee on the Costs of Medical Care revealed that although there are over a million persons engaged in protecting and improving health, only a small percentage of the population is receiving adequate medical care. With the exception of the hospital care received by those living on the lowest income level, who are treated with little or no charge in hospital wards and clinics, the amount of service received by families was found to decline as the amount of their income declined. In the cases studied it was found that the groups with annual incomes under $2000, composing more than half the population and the portion in which the greatest amount of illness occurs, were receiving a markedly disproportionate share of medical attention.

At the same time, there were thousands of doctors, dentists, nurses, and others with health services to offer whose incomes were not so great as they should have been, either because their services were not being used sufficiently or because they were being used gratuitously. One of the most urgent problems confronting the promoters of public health, therefore, seems to be the extension of the benefits of medical practice to those people who are not now receiving them on an adequate basis.

7. Health Services of Government. The work of public agencies has become increasingly important in raising the levels of health during the twentieth century. Federal, state, and local governments are carrying on extensive activities which directly or indirectly are contributing to the victories in our war on disease.

(*a*) *Local Government.* The local government comes into most intimate contact with people. Through its efforts, milk and water supplies are purified, garbage and sewage properly disposed of, the streets kept clean, food in markets and restaurants inspected, sanitary conditions in homes and business establishments checked, and vital statistics collected. In some communities, efforts are made to combat the smoke nuisance which constitutes a serious threat to health as well as to comfort and cleanliness. In cases of measles, chicken pox, scarlet fever, and other communicable diseases, quarantines are established.

The local government also supports medical and dental clinics, hospitals, district nurses, and various other agencies for promoting the health of its citizens. Provision is likewise made for health education in the schools, and for periodical physical examinations of pupils. The youth of the community, especially in the more progressive cities, are provided with playgrounds, recreation centers, and splendidly equipped school buildings.

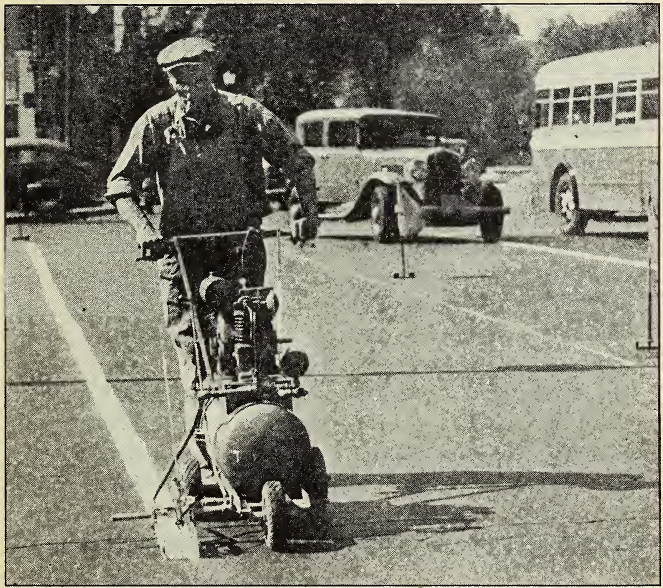


Photo from Soibelman Syndicate

PAINTING LINES FOR SAFETY ZONES

Safeguarding lives is one phase of the work of the local government.

(*b*) *State Government.* The public health is further safeguarded through the work of our state government. While the various states differ somewhat in the activities which they carry on, in general they enact laws to improve and protect the public health, and co-operate with local city and county governments in seeing that these laws are enforced. They maintain laboratories and dispense vaccines, toxins, and other biological products for the prevention of disease; safeguard the water supply against sources of contamination; license physicians and nurses; collect vital statistics; take measures to prevent or check epidemics; carry on research; conduct campaigns for the eradication of disease-breeding insects; and promote the health education of the public.

Most states maintain hospitals for the mentally handicapped, the tuberculous, the blind, and other needy unfortunates. In some states, hospital facilities have been extended to those who wish the health services the state supplies and who can pay in part at least for such services. One of the modern trends is a great increase in the proportion of government-owned hospital beds. Recently, some states have displayed an interest in the establishment of health centers where all health services could be co-ordinated.

(*c*) *Federal Government.* The Federal Government maintains several agencies whose work promotes the public health. The most important of these agencies is the Public Health Service. This Bureau carries on extensive research activities. It also establishes quarantines at United States ports and in the various states in order to prevent the spread of communicable diseases. It maintains hospitals for those who have served in the army, the navy, the marine corps, or some other governmental department. It supervises the manufacture of biological products used in the prevention of disease, and inspects food and drugs that move in interstate commerce. Federal activities for the protection and promotion of the public health were greatly stimulated by the passage of the Federal Food, Drug, and Cosmetic Act and the Social Security Act.

8. Health Activities of Private Organizations. Much valuable work has been done also by groups of physicians, scientists, and lay people. Foundations have been endowed by private funds for the purpose of carrying on experimentation, research, and education of the public. Among those which are making significant contributions to the public welfare are the Rockefeller Foundation, the Carnegie Corporation, the Julius Rosenwald Fund, the Milbank Memorial Fund, the Russell Sage Foundation, the Guggenheim Foundation, the Duke Endowment, the Josiah Macy, Jr., Foundation, the Twentieth Century Fund, and the General Education Board. Universities and colleges are assisting in the health movement by numerous research programs and by many public services.

Associations have been formed to lead the attacks on particular diseases. These include the National Tuberculosis Association which, through the sale of Christmas seals, has enlisted the co-operation of the public in its efforts to stamp out tuberculosis. The National Committee for Mental Hygiene has been largely responsible for improved care of the mentally ill. There are also organizations doing effective work for the blind and for other afflicted groups.

9. Current Issues Concerning Health Services. For families carefully budgeting their small incomes, a serious illness which necessitates extensive health services and hospitalization spells disaster. Many families have tied up their meager resources for years in order to finance one serious illness. Others forego medical care until the disease has reached advanced and often hopeless stages.

(*a*) *Group Insurance and Co-ordination of Health Agencies.* In recent years, there has been a noticeable sentiment in favor of some form of group insurance which would enable families of moderate means to obtain medical service when necessary without imposing overwhelming financial burdens. One method of meeting this problem, which has gained the approval of a substantial proportion of the medical profession, is the co-ordination of medical, dental, nursing, and other services necessary for a comprehensive and efficient program of medical care under professional auspices. Organization of services, in contrast to the highly individualistic methods in practice today, would tend to reduce medical costs. Plans for periodic payments would also be included in this program. Associated Hospital Service is another example of co-operation among institutions and foresight among individuals. Through small but regular payments, insured individuals are entitled to hospitalization in any of the member institutions, if necessary for the treatment of subsequent illness.

(*b*) *Sickness Insurance.* Systems of sickness insurance are prevalent in many European countries. Such a program has not been enacted for the United States. Attempts to include a provision for sickness insurance with the program for old-age and unemployment insurance was defeated. The Social Security Act of 1935 provided federal subsidies for scientific research and health centers but no cash benefits to the sick.

(*c*) *Socialized Medicine.* For many years socialized medicine has provoked much controversy. Because the government has greatly extended its functions in the improvement and protection of the public health, advocates of socialized medicine argue that it would be but a logical development for the government to take over complete supervision of the health of the nation as it has already done in the case of education. They maintain that socialized medicine would provide more adequate health service for the rank and file of the population; that it would be a means of securing greater co-ordination among the various health agencies of the country; that it would enable all the people to enjoy the benefits of the great advances that have been made in medical science;

and that it would insure an adequate and regular income to the medical practitioner without destroying private medical practice. Opponents of socialized medicine, on the contrary, condemn it on the grounds that it is unnecessary, that it would destroy the personal relationship so important between doctor and patient, and, finally, that it would reduce the efficiency of medical practice.

Summary. Health is vitally important in a civilization in which efficiency is paramount. In our competitive society sickness is a handicap which often leads to poverty. It also is responsible for many cases of retarded progress among school children.

Formerly, the question of health was regarded as a matter for individual concern. Today, however, society views ill-health as a public responsibility and makes great efforts to prevent or check it. In spite of this new attitude, millions of people are sick each year, and the annual cost of sickness reaches an enormous total, not only in medical costs but also in lost wages.

Some signal triumphs have been won over such communicable diseases as smallpox, malaria, yellow fever, typhoid fever, diphtheria, and tuberculosis. Despite these triumphs, degenerative diseases of middle and old age continue to take a terrific toll of human lives each year; chief among them are cancer and heart disease.

The new attitude in regard to health is reflected in the public-health movements which make use of the combined resources of medicine and sanitation in waging campaigns against disease. In this warfare against disease, local, state, and federal governments, as well as private organizations, are making valuable contributions.

Recent studies have revealed that a large percentage of our population is not receiving adequate medical care, and that much of the prevailing sickness could be eliminated. The great problem of the future will be to make the benefits of medical practice and scientific knowledge available for all on a sound and co-operative basis.

Several methods have been suggested for providing more adequate medical service and for distributing more widely their costs. One of them involves the co-ordination of medical facilities in a community under the supervision of the medical profession. This would permit comprehensive health services at lowered costs. Provisions would also be made for periodic payments. The enactment of the Federal Social Security Act has revived interest in a system of compulsory sickness insurance. In recent years, socialized medicine has attracted much attention and aroused much controversy.

Word Study: Inferiority complex; pestilence, epidemic, plague, the white plague; immunization; degenerative disease, communicable disease; quarantines; vaccines, toxins, antitoxins, tonics; vital statistics, vitality, mortality, morbidity; maladjusted personality.

QUESTIONS ON THE TEXT

1. Show the social importance of health.
2. Discuss the extent and cost of ill-health.
3. To what factors may the great scourges of the past be attributed?
4. What is meant by the public-health movement?
5. What are some of the most significant victories that have been scored in the war against disease?
6. Discuss the contributions to public health made by the heroes of science mentioned in the text.
7. What diseases particularly afflict human society today?
8. Are the people of the United States receiving adequate medical care today? If so, how? If not, why not?
9. Outline the work of the local government in improving and protecting the public health.
10. Sketch the work of the state government in promoting health; the work of the National Government.
11. Discuss the work of private organizations in promoting public health.

12. Explain several methods of spreading the costs and increasing the availability of medical service. Evaluate each, showing its advantages and disadvantages.

Application and Interpretation

1. What services are carried on by your community which protect the health of you and your family?
2. What efforts are made by your school to safeguard the health of its pupils?
3. Are there any conditions in your community which, in your opinion, are conducive to ill-health? If so, what agencies, in your opinion, should assume responsibility for eliminating these conditions?
4. Is there any evidence to show that medical care is not adequately distributed in your community? Discuss.
5. What can the individual citizen do to promote the health of his community?
6. What provision is made by your community to provide medical care for those who cannot pay for it?

Suggested Activities

I. Prepare talks on the following subjects:

1. Conquest of yellow fever.
2. Work of Louis Pasteur and other health heroes.
3. United States Public Health Service.

II. Have a committee make a digest of the report of the Committee on the Costs of Medical Care and also on the health inventory made by the United States Public Health Service.

III. Draw cartoons illustrating:

1. Relation between efficiency and health.
2. Conquest of communicable diseases.

IV. Have a committee consult a recent issue of the *Readers' Guide to Periodical Literature* and make a list of articles dealing with the subjects discussed in this chapter. Read the articles that seem most interesting and present a digest of them to the class.

V. Have a group debate the question of adopting socialized medicine in the United States.

VI. Write an essay presenting your own views on the best method of increasing the availability and spreading the costs of medical care.

VII. Have a committee report to the class on some of the outstanding features of the Federal Food, Drug, and Cosmetic Act.

VIII. Have one committee visit your local health department and another visit the community water works. Report findings to class.

IX. Secure, if possible, moving pictures showing how man has promoted public health.

Collateral Readings

ARNOLD—*Problems in American Life;* Chap. XXXV, "Public Health."

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap. XIII, "Public Health Problems"; Vol. II, Chap. XIX, "Extension of Medical Care."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XIII, "Public Health."

HILTON—*Problems and Values of Today;* Vol. I, Unit VI, "Health and Safety."

JOHNSEN—*Socialization of Medicine.*

LANDIS and LANDIS—*Social Living;* Chap. XXX, "Social Aspects of Health."

TOWNE—*Social Problems;* Chap. XVII, "Conservation of Human Life."

WALKER, BEACH, JAMISON—*American Democracy and Social Change;* Unit IV, Topic IV, "Health as a Social Problem."

WALLIS and WALLIS—*Our Social World;* Chap. XXIII, "Modern Science and Public Health."

Advanced Readings

BEACH and WALKER—*American Social Problems;* Chap. IX, "Problems of Health and Physical Wellbeing."

BEARD and BEARD—*The American Leviathan;* Chap. XVIII, "Public Health, Safety, and Morals."

BOSSARD—*Social Change and Social Problems;* Part V, "Problems of Physical Welfare."

DAVIS, BARNES and others—*Introduction to Sociology;* Book IV, Chap. III, "The Conservation of Health."

DE KRUIF—*Microbe Hunters.*

DUBLIN—*Health and Wealth.*

GILLETTE and REINHARDT—*Current Social Problems;* Chaps. XII, XIII, XIV, "Health and Physical Welfare."

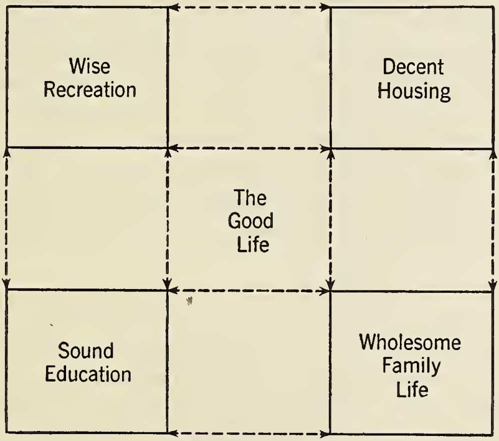
LYND and LYND—*Middletown;* Chap. XXV, "Keeping Healthy."
MANGOLD—*Problems of Child Welfare;* Part II, "Health and Physique."
PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. I, Chap. XII, "The Vitality of the American People"; Vol. II, Chap. XXI, "Health and Medical Practice."

REFERENCES

American Medical Association—*Reports, Hygeia Magazine.*
Committee on Costs of Medical Care—*Report.*
Metropolitan Life Insurance Company—*Health Heroes.*
Social Work Year Book.
United States Public Health Service—*Bulletins and Reports.*

UNIT C. IMPROVING SOCIAL ORGANIZATION AND INSTITUTIONS

Chapter XXV. Wholesome Recreation and Wise Use of Leisure
Chapter XXVI. Elimination of Slums and Modernization of Houses
Chapter XXVII. Happy Family Life an Ideal of Social Progress
Chapter XXVIII. Education a Way of Social Progress


Wise Recreation
Decent Housing
The Good Life
Sound Education
Wholesome Family Life

The Square Deal
or
The Central Aim and the
Related Means of Social Progress

CHAPTER XXV

WHOLESOME RECREATION AND WISE USE OF LEISURE

Objectives:

(1) To show the importance of increased leisure and the desirability of wholesome recreation.
(2) To examine various forms of modern amusements.

A. The Social Significance of Leisure

1. **Increase in Leisure.** The use of the machine, as already observed, has produced many outstanding changes in our modern world. One of the most significant of these changes has been the marked decrease in the length of the working day. The modern worker no longer toils from sunup to sundown. The twelve- or fourteen-hour day has gradually been reduced to one of ten hours, and, in some lines of work, one of eight and even six hours. With continued technological improvements and increased efficiency, the average working day probably will be still further reduced.

The trend toward a decrease in working hours is further evidenced in the longer week end which is being given, particularly in the summer months, to employees of many business establishments in our larger cities. There seems to be a trend from a six- or even seven-day working week to one of five days.

The hours necessary for household work have also been substantially reduced through the use of labor-saving devices in the home and commercial services outside the home. Many housewives today have vacuum cleaners and electric washers; most families now buy their bread and canned goods instead of preparing them in their own homes.

The existence of a larger number of older people in the population and the tendency to pension workers when they have reached a certain age will also result in an increased amount of leisure. It is no longer necessary to employ children or old people. We are now confronted with grave new problems and bright social possibilities created by these recent economic changes. An important feature of this development is that leisure is no longer the privilege of the wealthy few; it has become the common right of practically all people. The existence of long hours for some workers, while others are unemployed, is an economic challenge and a social maladjustment.

2. Importance of Leisure. In our highly industrialized, competitive economy, the stresses and strains which wear down the human machine are so severe that time must be allowed for the restoration and recreation of human vitality. Many people in business, in the professions, and in industry are working at high speed and under intense pressure. Workers in highly specialized industries labor at monotonous tasks involving a few operations repeated over and over again. Such labor, if too long continued, may have serious effects on the nervous system of the worker.

The general shortening of the working day and working week is an evidence of the widespread recognition of the need for increased leisure. If used wisely, leisure promotes health, efficiency, and happiness. Some industrialists have found that the added leisure has increased the efficiency of workers to such an extent that their industrial output per man-hour has been increased.

The new leisure has bright possibilities not only to the individual but also to society. When a people are not compelled to devote nearly all their time and energy to productive effort, their attention can be directed to other activities which give life a new meaning and which enrich the personality of the individual. There is time to live what has been called "the more abundant life" or "the good life." Opportunity is afforded for closer family relationships and for the cultivation of tastes for music, art, and literature. If our people use their leisure for enriching their lives, then it can truly be said that the machine will be serving the best interests of society, rather than merely creating unemployment.

Unfortunately, the mere releasing of workers from their jobs does not necessarily mean that the additional time at their disposal will be spent advantageously. Far too many of our people are not equipped to use their leisure wisely. Leisure to them means idleness and idleness spells danger. Too much leisure for people unprepared to benefit from it may, in fact, bring decay and social demoralization.

In the past, emphasis on education has been concentrated upon the problem of educating people to become efficient producers. Not enough attention has been devoted to education for wise consumption and for the fine art of living itself. The new leisure therefore may be said to constitute a challenge to our civilization. Whether or not society benefits from it will depend upon the uses that are made of our increased leisure time.

B. THE USES OF LEISURE

3. Value and Meaning of Recreation. Recreation, as the name implies, is a process of revitalization. In relaxing the tensions of modern life and in giving expression to the fundamental play instincts of the human race, recreation affords new vigor and effectiveness to the body and to the mind.

Not all forms of amusement, however, constitute recreation. Furthermore, an activity which provides recreation for one person may be exhausting for another. Those forms of amusement which create strain and induce fatigue make work of play and defeat the very purpose of recreational activity.

4. **Change in Attitude.** It is only within recent years that the values of recreation have been generally appreciated in the United States. The Puritan tradition opposed pleasure and extolled endurance as a cardinal virtue. There was little leisure at the disposal of the early Americans, and most of their recreational activities were associated in some way with work. Whatever other forms of amusement were available were enjoyed by the favored few in relative seclusion.

Today, play among adults is no longer regarded as an evil, but as a vital necessity of modern life. It has been recognized as an important factor in decreasing crime and juvenile delinquency, in improving mental and physical health, and thereby reducing human misery and poverty.

5. **Cost of Modern Amusements.** The new interest in amusements is reflected in the enormous amount of money that is spent each year by the American people for pleasure. It is estimated that the annual cost of recreation in the United States exceeds ten billion dollars. The largest item in this tremendous outlay is spent for the automobile, with the moving picture, the radio, and organized sports also ranking high in popular favor. The business of supplying these amusements has become one of our major economic activities.

6. **Types of Entertainment.** The automobile, the motion picture, and the radio have been valuable factors in modern life. They have extended the horizons of large numbers of people beyond the limits of their immediate environment. They have broken down isolation;

they have promoted a more sympathetic understanding among people of different communities and sections.

(*a*) *Automobile.* The automobile, especially, has been a boon to the American people, since it has been the chief means of getting them out into the open. It has also enabled them to take advantage of other recreational facilities, such as parks, playgrounds, camp sites, bathing beaches, and athletic contests. The unwise use of the automobile, on the other hand, instead of providing relaxation and recreation, has helped to increase nervous tension, restlessness, and the accident toll.

IN PERSON NOW!
MICKEY ROONEY
JUDY GARLAND
ON SCREEN
"THE WIZARD OF OZ"

Photo from Ewing Galloway

GOOD MOVIES ARE POPULAR.

Lines formed at four in the morning to see "The Wizard of Oz."

(*b*) *Motion Picture and Radio.* The motion picture and the radio have tremendous opportunities to supply wholesome recreation and to promote the cultural advancement of the American Nation. The benefits of these two great inventions will be conditioned by the quality of entertainment which they offer.

The moving picture, especially, can be a powerful influence for good or evil. It is estimated that a hundred million people attend moving-picture theaters each week.

Many of these are young persons whose tastes are unformed and who are especially sensitive to the harmful influences of inferior offerings. Much of the juvenile crime some years ago was traceable to the wrong types of moving pictures.

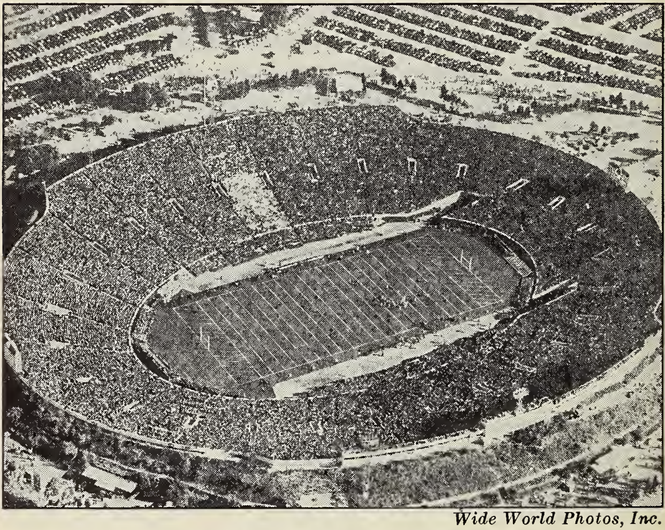
Amusements of inferior quality tend to develop low tastes; they lead to individual and social demoralization. That the public demand for more wholesome entertainment is producing results is apparent in the improved standards of pictures that are being presented today. Contrary to the opinion formerly held by some producers, many of the better motion pictures are showing satisfactory box-office returns.

(*c*) *Reading.* That reading is a leisure activity of no small importance is indicated by the fact that twenty million people are said to utilize the services of public libraries; that the total editions of novels published each year number about fifty million copies; and that the circulation of periodicals is in the neighborhood of thirty-five millions. In reading, as with radio programs, the cultivation of high standards and the appeal to good taste are important.

(*d*) *Organized Sports.* Athletics have become a highly organized form of modern amusement. Professional baseball attracts enormous crowds, and college football teams play before huge throngs. During the 1920's the million-dollar gate in professional boxing made its appearance.

A criticism that has been leveled against organized sport, as well as other forms of organized amusement, is that they make passive spectators of too many of our people. It has been said that the American public is afflicted with "spectatoritis." However, there are some recreational advantages to be gained even from being a spectator at organized games. Sport affords a release from the monotony of daily toil; it gets people out in the open; and in many cases it affords an exhilaration that is tonic in its effect.

Despite the charge that large numbers of our people limit their recreations to those in which they may be spectators, there is evidence to show that in increasing numbers they are participating actively in golf, tennis, swimming, hunting, fishing, boating, music, dramatics, the arts, and crafts. The problem of organized amusements is not so much "spectatoritis," as it is to eliminate those forms of amusement which are socially undesirable.



Wide World Photos, Inc.

Rose Bowl, Pasadena, California

Football games at the Rose Bowl attract thousands of spectators.

7. Increased Recreational Activities Provided by Communities. The relation between a wholesome use of leisure and good citizenship is evidenced in the steps that have been taken by American communities to provide recreational facilities for all groups of adults as well as children, and for the poor as well as the rich. In large cities especially, substantial appropriations are made for parks, playgrounds, and recreation centers under the supervision of competent instructors. Tennis courts, golf courses, swimming pools, and bathing beaches are operated by local governments in many congested areas.

Some communities assist in the cultural development of their people by providing museums of various sorts, art galleries, and public libraries. Native talent is encouraged through the organization of amateur theatrical groups, glee clubs, civic orchestras, art associations, and garden clubs.

State governments have set aside and developed forest areas as camp sites. They have contributed to the recreation movement through extensive programs of road construction. They seek to protect the fish and game in forest areas, thereby rendering a service to lovers of wild life. The great parks maintained by the National Government provide enjoyment for many people. It is estimated that they are visited annually by more than two and a half million persons.

8. School and Education for Leisure. Modern school programs and equipment reflect the new interest in recreation. Pupils today are offered unusual opportunities to engage in athletics and other worth-while recreational activities.

The athletic programs in our schools have been attacked by some critics on the ground that they are overemphasized. While this may be true in some schools and colleges, and while overemphasis does create a danger, nevertheless there are many advantages to be derived from participation in athletics. Active participation in sports builds up the body, and, if properly directed, it also builds character. It promotes sportsmanship and develops such qualities as alertness, self-control, co-operation, and courage.

The formative period of youth is the time when the tastes, as well as the skills, necessary for some of the more satisfying activities of adult life should be developed. Some schools have recognized their opportunity and their responsibility in this respect. They are providing their students with art classes, dramatic societies, glee clubs, bands, orchestras, debating teams, crafts classes, and clubs for nature study, chemistry, and photography, as well as other opportunities to develop an appreciation of literature, music, art, and science.

Unfortunately, not all schools are equipped to afford such training for leisure-time activities. Furthermore, many educators are not yet convinced that the school is the proper place for teaching the future citizen how to enjoy the great amount of leisure that will some day be his. Nevertheless, the increased extracurricular activities, as well as the efforts that are being made to enrich the curriculum itself, are an indication of the growing acceptance of the new viewpoint.

9. Hobbies. A hobby can be an ideal form of recreation. It is a purposeful activity, apart from one's vocation, which gives joy to the person who indulges in it. It implies a certain amount of creative effort. It is carried on simply for the pleasure and satisfaction that it gives, and not as a form of discipline which, like medicine, does one good, even though it may be unpleasant to take.

The cultivation of a hobby is recommended as an antidote for boredom. Time never hangs heavily on the hands of a person engrossed in an absorbing avocation. Since it is true that the more joy there is in the doing of a thing, the more successful will be the result, it is not strange that some of the greatest achievements in life have been accomplished as leisure-time activities.

There are hobbies to suit all tastes. The collecting of any number of different articles is of absorbing interest to some individuals. There are others who delight in constructing things. For them the crafts afford an interesting hobby. For the individual whose chief pleasure consists in learning things, whether the subject be architecture, astronomy, or a language, there are limitless opportunities available in travel, literature, conversation, and various courses of study. Sketching, dancing, acting, gardening, and a host of other activities have been the means of adding much pleasure to the lives of many individuals. Group hobbies, such as choral singing, playing in concert, folk dancing, and sports actively participated in have also provided keen enjoyment. The school is an ideal place for developing hobbies.

Many of the world's famous characters have engaged in hobbies as a release from their strenuous duties. There is little of the drab and colorless in the lives of persons who have found satisfying hobbies. Fortunate indeed is the individual who, after a busy day spent in earning his livelihood, is able to enjoy the great masterpieces of the world in music, art, and literature, or to create something of his own which contributes a deep and lasting satisfaction.

Summary. The marked decrease in working hours has greatly increased the amount of leisure in modern life. Formerly leisure was the prerogative of the few; now it is available for large numbers of our people.

The increase in leisure is important because it affords an opportunity to secure release from the stresses and strains of our highly industrialized, competitive society. Increased leisure also provides opportunity to engage in recreational activities which give a new meaning to life. There are, however, far too many people who do not know how to use this leisure to the best advantage. Leisure to many means idleness, and idleness may lead to demoralization.

Consequently, it has been stated that leisure constitutes a challenge to our modern economic order. The value of leisure to society will depend on the uses which are made of it.

The increased leisure of modern times has stimulated interest in various forms of recreation. Recreation may be defined as the process of revitalization. It restores mental and physical vigor. Formerly, recreation was frowned upon; today it is regarded as a vital necessity.

The new viewpoint is shown in the vast sums of money spent by the American people for pleasure. Among the most important forms of amusement available today are the automobile, the moving picture, the radio, and organized sports. Commercialized amusements have been criticized on the ground that they do not permit the public to participate actively, and are, therefore, not so truly recreational as are those which permit active participation. Despite the criticism that the American people are afflicted with "spectatoritis," there is ample evidence to show that they are actively engaging in a wide variety of recreational activities.

The interest of modern society in the wise use of leisure is reflected in the increased efforts being made by communities to provide wholesome recreation. Educators are now realizing that the function of the modern school is not only to educate boys and girls for the business of making a living, but also for the business of living itself. As a result, the school programs today present many opportunities for worth-while recreational activities.

The increased leisure of modern times has also stimulated an interest in the cultivation of hobbies. Hobbies have contributed much to the satisfactions of life.

Word Study: Possibilities, potentialities; recreation, revitalization, demoralization; nervous tension; "spectatoritis"; hobbies; antidote, anecdote; vocation, avocation.

QUESTIONS ON THE TEXT

1. Why is leisure said to constitute a challenge to modern civilization?
2. Distinguish between the old and the new attitudes regarding recreation.
3. What are the amusements for which the American people spend the most money? Why?
4. (a) Discuss the automobile as a means of affording recreation; (b) the moving picture; (c) the radio; (d) organized sports.
5. Illustrate the efforts now being made by American communities to furnish opportunities for recreation.
6. Outline some recreational opportunities provided by the modern school. Show how each is provided.
7. What is a hobby? Why should every person have a hobby?

APPLICATION AND INTERPRETATION

1. What, in your opinion, are the greatest benefits to be derived from leisure?
2. How much leisure is at your disposal? What use do you make of it? Are you satisfied with the use you make of your leisure? How could you improve the use of your leisure time?
3. What facilities are available in your community for active participation in sports? How are they provided?
4. Are there any socially undesirable amusements in your community? What efforts have been made to eliminate or improve these amusements?
5. What facilities are available in your community for the cultural advancement of the people? In your opinion, what additional facilities would be desirable?
6. Is any deliberate effort made by your school authorities to train boys and girls to make a wise use of leisure time? Discuss.
7. What recreational activities do you engage in at school? What are some of the benefits that you gain from these activities?
8. Do you know of any interesting hobbies pursued by people in your community? If so, explain.
9. What provisions for regulating amusements are made by your community? By your state?

SUGGESTED ACTIVITIES

I. Prepare talks on the following subjects:

1. Some famous hobbies.
2. The challenge of leisure.
3. Moving pictures and their influence.
4. My hobby.
5. Influence of the automobile.

II. Have a committee study forms of recreation in colonial times and contrast these with forms of recreation today Make a report to the class.

III. Have a committee make a survey of the recreational facilities afforded by your community Appraise these facilities and present a report to the class.

IV. Draw cartoons illustrating:

1. Desirable use of leisure.
2. Undesirable use of leisure.

V. Current Events Program. Consult recent magazines, current events publications, newspapers, and the *Readers' Guide to Periodical Literature*. Read articles dealing with subjects discussed in this chapter. Present digest to class.

VI. Secure for bulletin board and scrapbooks, clippings in the form of newspaper articles, editorials, cartoons, and other illustrative material dealing with subjects discussed in this chapter.

VII. Have a committee explore possibilities of forming a club to provide wholesome recreation for underprivileged children.

VIII. Write an essay in which you present your own views on the best methods of promoting in the community a wise use of leisure.

COLLATERAL READINGS

CALKINS—*Care and Feeding of Hobby Horses.*

ELDRIDGE and CLARK—*Major Problems of Democracy;* Chap. XII, "The Reclamation of Leisure."

ELLIOTT, MERRILL, WRIGHT—*Our Dynamic Society;* Chap. XXIV, "The Use of Leisure Time."

FINNEY and MILLS—*Elementary Sociology;* Chap. XVI, "Leisure, Amusement, and Art."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. IX, "Recreation the Great Adjuster."

GIBBARD—*Hobbies for Girls.*

JACKSON—*Hobbies for Boys.*

KING and BARNARD—*Our Community Life;* Chap. IV, "Recreation."

KINNEMAN, BROWNE, ELLWOOD—*The American Citizen;* Chap. XIX, "Recreation."

LANDIS and LANDIS—*Social Living;* Chap. XXXII, "Leisure Time and Recreation."

WALKER, BEACH, JAMISON—*American Democracy and Social Change;* Unit IV, Topic V, "Leisure and the Enrichment of Life."

ADVANCED READINGS

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CHAPTER XXVI

ELIMINATION OF SLUMS AND MODERNIZATION OF HOUSES

Objectives:

(1) To show the social importance of housing and the nature of the housing movement.

(2) To examine methods for improving housing conditions.

A. The Social Significance of Housing

1. Modern Improvements. Americans view with pride the modern improvements which have made life in the home more attractive and the work of the household less difficult. Not only have inventions contributed significantly to the modernization of homes, but cities and other local governments have also aided the homemaker by providing pure water, by disposing of garbage and other refuse, and by maintaining proper standards of sanitation. Such conveniences as electricity, gas, central heating, and modern plumbing likewise have added notably to human comfort.

2. Variations in Housing Conditions. It has been commonly supposed that nearly all people in the United States are lodged in homes where they are provided with at least the essentials for decent, healthful living, and in addition some luxuries. Many families, it is true, live in comfortable, well-constructed homes, equipped with modern devices, and located in pleasant and healthful surroundings. Unfortunately, however, many other families suffer from miserable housing conditions and slum environments. It has been estimated that half, or at least a third, of the homes in the United States are lacking in some of the essentials for the maintenance of health and decency.

3. Minimum Standards of Housing. Various groups who have studied housing conditions have set up minimum standards for decent and healthful living. Most authorities are agreed that, in order to meet minimum requirements, a home, whether it be a single house or a multiple dwelling, should be substantially built, located in wholesome surroundings, have adequate sunlight and air, an ample supply of pure running water, an indoor sanitary toilet, adequate heating facilities, and sufficient rooms to insure against overcrowding and to permit some privacy for the members of the family. While these standards do not seem extravagant, nevertheless there are millions of homes in the United States which lack even these essentials.

B. PRESENT HOUSING CONDITIONS

4. Plain Facts about Housing. In a survey of several million farm and city homes made recently, the United States Departments of Agriculture and Commerce found that 20 per cent of urban and 90 per cent of rural homes had no private indoor toilet; that 30 per cent of urban and 90 per cent of rural homes had no bathtub or shower; that 10 per cent of urban and 90 per cent of rural homes were not equipped with running water; and that 60 per cent of urban homes and 80 per cent of rural homes were without central heating furnaces and dependent on stoves in rooms.

5. City Tenements. Despite numerous examples of good housing, millions of our people live without adequate comforts; thousands exist in abject squalor. There are slums today in most large cities of the United States which are a disgrace to an advanced civilization. Tall buildings shut out the sunlight and prevent the circulation of fresh air. Windows open on narrow areaways or almost flush against adjoining walls. It is said that in almost every American city there are families living in inside rooms with no means of obtaining proper light or ventilation. Many homes lack adequate heating and plumbing facilities, and are seldom free from dampness. Dark hallways and rickety staircases are characteristic of slum dwellings. Because of limited space and high rents, families live crowded together in one or two rooms. There are no safeguards against flies or other insects; vermin are a constant menace to health and comfort.

Photo from Keystone View Co.

NEW YORK CITY'S OLD EAST SIDE

6. Rural Squalor. Poor housing conditions are by no means confined to great cities. Small cities and towns, and even villages are also deplorably deficient in housing accommodations. In fact, some of the worst examples of poor housing exist in certain rural sections where families live in tumble-down shacks and hovels, and under conditions which violate all standards of decency and health.

7. Shortage of Adequate Dwellings. Not only are millions of houses now occupied unfit for habitation, but there is also a distinct shortage of good houses. While some inadequate homes occupied today can be reconditioned, others are fit only for the wrecking crew. Even if those dwellings with possibilities of improvement should be modernized, it is estimated that from five to ten million new homes would still be urgently needed, if the American people are to be housed according to minimum standards of comfort, health, and decency.

8. Change in Social Attitude. Until comparatively recent times, housing, like health, was considered largely a problem for the individual; as far as the public in general was concerned housing had no social implications. If poor families could procure no better accommodations than those afforded by the slums, that was the misfortune of those families; society did little about it. Scattered attempts were made by individuals and groups, prompted by philanthropic and humanitarian motives, to improve some of the most undesirable conditions. Local governments also made efforts to eliminate fire hazards, promote sanitation, and induce safety by requiring that buildings meet certain minimum standards fixed by law. In recent years, however, the public has shown greater interest in the question of housing, and recognizes it today as a problem of major social significance.

9. Effects of Poor Housing. The fact that a causal relationship has been established between poor housing and social evils such as vice, crime, disease, juvenile delinquency, poverty, and poor citizenship is largely responsible for this awakened interest in housing. Crime and juvenile delinquency flourish in slum districts. The lack of sunlight and air tends to spread communicable diseases. The absence of adequate toilet facilities and the lack of running water also constitute a serious menace to the health of millions of our people and add to the cost of sickness. Poor living quarters lower vitality and weaken resistance to disease. Crowded conditions in the home contribute to high infant-mortality rates.

The dilapidated, weakened structures which house many of our people are a constant threat to life and safety. Crowded, flimsy buildings and accumulations of rubbish increase fire hazards and add to the cost of operating city governments.

The crowding together of many people into congested quarters tends to spread disease and seriously impair health; it may also lead to immorality and vice. Unwholesome living conditions dampen the spirits of individuals and have a depressing effect on their mental outlook. Areas in which poor housing conditions prevail are not fit places to equip young people for the strenuous needs of modern life.

10. Why Poor Housing Exists. Although many reasons have been advanced for the persistence of poor housing conditions in the United States, low income is the most important factor. When we consider that one third of the American people receive incomes of less than twelve hundred dollars a year, it is obvious that a substantial proportion of our population have little choice in the selection of a home. Not only the purchase, but even the rental of a home provided with minimum standards is beyond the reach of those in the lowest income groups.

Under present conditions, it seems difficult, if not impossible, to provide suitable homes at a cost low enough to supply the needs of families with meager incomes. While the use of machinery and specialized production have reduced the prices of many commodities, the cost of housing has tended to increase. The building industry is not organized along the lines of some of the more highly specialized forms of production, such as the manufacture of automobiles, and consequently does not enjoy the benefits of reduced costs through volume production. The use of prefabricated houses has been suggested as one means of solving the housing problem.

The cost of housing has been influenced also by the concentration of industries in cities and the rapid growth of population. As the population has increased, land values have risen. The decentralization of industry, made possible by the extension of electrification into remote rural areas, may check the process of urbanization and thus make possible better housing for workers.

Contributory factors in accounting for the prevalence of poor housing have been burdensome taxation, greed, public indifference, and lack of planning. Many cities have grown up with no plan whatsoever. Undoubtedly city planning would have helped to check the growth of slum areas.

C. Improving Housing Conditions

11. Housing Needs. Apparently the great need is not merely for more and better homes but also for homes within the buying and renting power of persons of low incomes. These homes should be durable, attractive, and in wholesome surroundings. Recent experiments in the field of home building prove that inexpensive homes need not be ugly. Poor design and faulty construction have added to the housing problem.

12. Recommendations. *President Hoover's Conference on Home Building and Home Ownership* in 1931 furnished some valuable suggestions for improving the housing situation. Among the recommendations offered at this conference were a master plan and zones for each city and community, a system of taxation which would reduce the burden on small home owners, a credit plan which would make it easier for thrifty families to own houses, the encouragement of carefully planned, large-scale housing operations, and the decentralization of industry, a measure which it is believed would be a contributing factor in the elimination of slums.

13. **Difficulties Involved.** The housing problem is highly complex. It touches the interests not only of those who are ill-housed, but also of property owners and of the public at large. With the realization that poor housing has brought social consequences which imperil the welfare of every citizen, society has been faced with the necessity of combating this evil, just as it has been faced with the necessity of combating such evils as crime, poverty, and child labor. Due consideration of the rights of property owners further complicates attempts to improve housing in the United States. Because of its complexity, the housing problem constitutes a challenge to the resourcefulness of modern society. There is evidence, however, not only in the United States but in other countries, that efforts are being made to meet this challenge.

14. **Slum Areas.** (*a*) *Origin.* There has been a tendency, particularly since the automobile has come into wide use, for people to find homes in the outlying districts of large cities and to move away from their congested centers where industry flourishes. The areas which formerly served as residential sections became run-down and were able to draw as tenants only those families whose income was too low to pay for better accommodations elsewhere.

As the population grew, the number of large tenement houses multiplied. Many of them were the large old homes of former residents which had been converted from single to multiple dwellings with little, if any, alteration. Many of these tenement houses failed to provide decent living quarters for several families. With the advance of years and failure to improve housing, whole sections were blighted and came to be known as slums.

(*b*) *Nature of Slums.* The term "slums" is generally applied to those areas which contain homes that are far below the minimum standards set for decent, wholesome living. They are breeding places of disease and a menace to the safety and morals of the inhabitants.

(*c*) *Eradication of Slums.* Although the question of slum eradication has aroused interest for many years, very little has been accomplished in the United States until recently. We have lagged far behind some of the other nations of the world. It has even been pointed out that loans made by Americans to European governments have been used to provide model living quarters for workers abroad, while millions of our own people have been housed in dilapidated, unwholesome slum dwellings.

(*d*) *Obstacles to Slum Clearance.* A number of obstacles—chief of which is cost—stand in the way of slum elimination. Many of the homes marked for demolition in any slum-clearance project are held for a price so high as to render unprofitable any commercial venture to substitute low-cost homes of standard qualifications in the same area. Recently some large cities have been aided in their attempts to solve slum problems by grants of federal funds.

(*e*) *Methods of Slum Clearance.* In general, three avenues of approach to slum eradication have been considered. One method would be the demolition of the most undesirable blocks of homes and the reconstruction on the same land of new homes at low cost. The disadvantage of this method is that the cost of the land is, in most cases, too high to permit of a rental scale that would meet the needs of slum tenants.

Another plan used in some cities has been the construction of low cost homes on vacant lands within a reasonable distance of the industrial center, and the transformation of the slum area into parks or playgrounds.

The third plan is a long-term, carefully worked-out, integrated program of city planning in which buildings and parks form a pattern. This third system would require close co-operation on the part of building agents and city officials. It would doubtless necessitate the overcoming of numerous obstacles, but it would have the most enduring satisfactions.

(*f*) *Examples of Slum Clearance.* Some of our American cities are attacking the slum problem with determination and are making noteworthy beginnings. New York's lower East Side, notorious for its poor housing, is undergoing many changes. Knickerbocker Village has replaced the tenement structures in the area formerly known as the "lung block" because of its high mortality rate from tuberculosis. Amalgamated Dwellings, a fine apartment house which illustrates a co-operative venture in improved housing, has also replaced substandard homes. By lending money at low interest rates to finance housing projects or by building homes for rental at a minimum profit, public-spirited citizens are aiding in the work of transforming blighted areas into attractive wholesome environments. If, however, the benefits of slum clearance are to reach the masses of families with low incomes, this work must be subsidized by federal, state, or local governments.

15. European Accomplishments in Improving Housing. Great Britain, Germany, and Belgium took the lead in adopting sweeping programs of housing reform. Before the World War, this work was largely in the hands of commercially interested groups. After the war, European governments themselves assumed an increased share of responsibility for providing wholesome living accommodations for needy families.

Government aid took several forms: tax exemption on certain types of new homes, eradication of slums at public expense, loans at low interest and for long periods to public or private agencies promoting housing projects, and outright grants of money for the construction of homes to accommodate the neediest families.

Since the World War various European governments have achieved a remarkable record of improved housing. It is estimated that in England and Wales over two million homes have been built for persons in the low income groups; in Germany nearly three million dwellings have been completed. Holland, France, Italy, Switzerland, and other European countries have likewise made progress in providing safe, wholesome, and attractive living quarters for their people.

A special feature of the English housing program has been the development of "garden cities"; that is, planned communities built around a central park. Another outstanding achievement in housing was the construction of model apartments for workers in the city of Vienna. Co-operative housing has been especially successful in the Scandinavian countries and in Russia.

16. American Housing Programs. (*a*) *During the World War.* The United States Government made its first experiment in public housing shortly after its entrance into the World War. In order to provide accommodations for war workers, houses were constructed at Camden, New Jersey; Bridgeport, Connecticut; Washington, D.C.; and in various other localities.

(*b*) *Hoover's Conference.* In 1931, as just noted, President Hoover called a conference on Home Building and Home Ownership. This conference surveyed the housing situation and published its findings. These reports doubtless had an influence in arousing public interest in better housing for American citizens.

(*c*) *Roosevelt's Recovery Measures.* Preparation gave way to realization and investigation to experimentation. The Federal Government finally began to attack the housing problem. Housing projects were begun during the emergency period by the Public Works Administration, the Tennessee Valley Authority, and the Federal Emergency Relief Administration. These projects were undertaken more as relief measures than as a unified program of housing reform. Later the Resettlement Administration took over the housing projects that had been started by other federal agencies.

(*d*) *National Housing Act.* In 1934, the Federal Government passed the National Housing Act, which authorized the government to make loans up to $2000 for the purpose of modernizing and improving homes. Many property owners were aided by this measure.

(*e*) *Wagner-Steagall Act.* In 1937, Congress passed the most noteworthy housing legislation enacted in the United States. The Wagner-Steagall Act was intended to provide low-cost housing for a substantial proportion of the families living in substandard homes. It provided for the creation of a Public Housing Authority to cooperate with local agencies in promoting housing projects. The homes to be built under the provisions of this act were limited to a maximum cost of $4000 in cities with a population of a half million or less, and $5000 in cities with a population of more than a half million people.

(*f*) *State and Local Governments.* Some of our state and local governments, civic organizations, and building operators are also taking up the challenge of housing.

They are entering wholeheartedly into programs of community and regional planning and are promoting campaigns for better homes. Some of the states have enacted legislation authorizing state aid in financing home ownership. Perhaps the most important developments have taken place in New York and California. An extensive low-cost housing project, carried on with federal aid, is the Williamsburg development in Brooklyn, New York City. California's efforts to assist war veterans to own their own homes has met with marked success.

McLaughlin Air Service

Williamsburg Development in Brooklyn

17. Model Communities and Tenements. Some interesting examples of housing projects and community planning have been completed in the United States. Among these are Chatham Village in Pittsburgh; Radburn, New Jersey; Sunnyside, New York; Mariemont Village, Cincinnati; Hershey, Pennsylvania; and Kohler, Wisconsin. Among the enterprises which have helped to raise housing standards are the Marshall Field Apartment Houses for white families, and the Rosenwald Apartments for Negroes in Chicago. Another remarkable development has been the construction of the Brand Whitlock Apartment in Toledo, Ohio. Still other notable examples of improved housing have been mentioned in the section on slum eradication.

Summary. While modern houses and equipment have greatly increased the comfort of American families in the higher income groups, millions of people in the United States are living in homes that are a menace to safety, health, and morals. Surveys have revealed deplorable housing conditions existing not only in our large cities, but also in towns and in rural sections of the country.

Poor housing is today recognized as a problem of major social significance. This is due to the close correlation that has been established between poor housing and such evils as vice, crime, disease, and juvenile delinquency.

Perhaps the most important cause of poor housing is low income. For poor families, the purchase or rental of a home with minimum standards is an ambition all but impossible of realization. Although the use of machinery and specialized production have reduced the cost of many commodities, the building industry has been only slightly influenced by mass methods of production, and the cost of houses therefore has not decreased markedly. Other factors contributing to the prevalence of poor housing are excessive taxation, greed, lack of planning, and public indifference.

A conference on Home Building and Home Ownership, called by President Hoover in 1931, made some pertinent recommendations for solving the housing problem. Because of the complexity of the problem, however, the solution will not be easy. Housing touches the interests of property owners and the public at large as well as of those whose homes are substandard.

The unsightly, disease-breeding, crime-ridden slums which infest most of our large cities constitute a challenge to the resourcefulness of modern society. The United States has lagged far behind European nations in attacking the problem of slum clearance. In recent years, a beginning has been made in eliminating the worst of our slum areas.

The twentieth century has witnessed sweeping housing reforms in some European countries. Britain, Germany, and Belgium were leaders in the movement. Many other countries also have made notable progress. Since the World War, European governments have assumed a large share of the financial burden of housing reform.

The United States Government made its initial efforts in public housing during the World War. The emergency period of the 1930's again thrust it into housing operations. This time the efforts of the government were directed primarily toward providing employment, rather than formulating a program of housing reform. Interesting projects were developed, however, which will serve as yardsticks for further undertakings. In 1934, Congress passed the National Housing Act; and in 1937, the Wagner-Steagall Housing Bill. These laws aimed to provide low-cost housing for a large proportion of America's neediest families.

Some outstanding examples of good housing and community planning have been provided by state and local governments, and by public-spirited individuals and organizations.

Word Study: Slums; squalor; minimum standard, substandard; multiple dwelling; zoning; philanthropist, humanitarian; prefabricated; construction, reconstruction; eradication, demolition, dilapidation, dilapidated; tax exemption; subsidy, subsidized.

QUESTIONS ON THE TEXT

1. What features should a house possess to satisfy minimum standards for decent and healthful living? To what extent do the homes in the United States meet minimum standards?
2. Why is poor housing now considered a social problem of major importance?
3. Discuss the causes of poor housing.
4. What is a slum? What conditions lead to the existence of slum areas? What obstacles stand in the way of slum elimination?
5. Indicate several avenues of approach to the solution of the slum problem.
6. Discuss the efforts of European countries to provide low-cost homes. How do the efforts made by European countries compare with those made in the United States?
7. What was the purpose of the National Housing Act of 1934? How was this purpose to be accomplished?
8. Give some of the chief provisions of the Wagner-Steagall Act of 1937.
9. Give some examples of community planning and model housing in the United States.

APPLICATION AND INTERPRETATION

1. What do you consider the most desirable type of community in which to live: urban, suburban, or rural? Give reasons for your choice.
2. Is there any evidence in your community to show that housing is related to the crime rate? To the spread of communicable disease? To juvenile delinquency? Cite evidence.
3. What conveniences are found today in the homes of your community which were unknown one hundred years ago? Discuss their effects.
4. If slum areas exist in your community, what suggestions would you make for their eradication?
5. In your opinion, is poor housing a problem for the community to solve? Explain your answer.

6. How do you account for the fact that we have lagged behind European nations in attempts to provide adequate, low-cost homes for families with low incomes?

7. Has your community a housing association? A planning board? If so, have they engaged in any community projects or made any recommendations? Discuss.

8. Has your community or your state a housing program which would enable it to secure the aid of the Federal Government provided by the Wagner-Steagall Housing Act? If so, what? If not, why not?

9. How would life in a well-planned community, provided with model homes, contribute to social progress?

Suggested Activities

I. Prepare talks on the following subjects:

1. Housing Act of 1937.
2. Some model communities in the United States.
3. Housing projects in my own state.

II. Have a committee make a survey of the housing conditions in your community, noting especially those places which fall far below minimum essentials and those which possess advantages greatly in excess of minimum essentials. Report findings to class. Can you establish any connection between poor housing and crime, fires, etc.?

III. Have a committee consult the *Readers' Guide to Periodical Literature* and make a list of articles dealing with housing and community planning. Make a report to the class on the articles that seem most interesting.

IV. Make a diagram of your own community. Contrast this with another diagram representing your own views of an ideally planned community.

V. Draw cartoons illustrating:

1. Relation between poor housing and health.
2. Relation between poor housing and crime.

VI. Collect for bulletin boards and scrapbooks, clippings in form of newspaper articles, editorials, cartoons, and other illustrative material dealing with housing.

VII. Have a group especially interested in photography take pictures of the poorest homes in your community. Mount these pictures on bulletin board. Use as basis for class discussion.

VIII. Secure, if possible, speaker who can describe work of the government in improving housing conditions.

Collateral Readings

Brainard and Zeleny—*Problems of Our Times;* Vol. I, Chap. XII, "Housing Problems"; Vol. II, Chap. XVIII, "Federal Housing"; Chap. XXIV, "State and Local Planning."

Eldridge and Clark—*Major Problems of Democracy;* Chap. X, "The Problem of Better Homes."

Gavian, Gray, Groves—*Our Changing Social Order;* Chap. XIV, "Housing"; Chap. XV, "Community Planning."

Munro—*Current Problems in Citizenship;* pp. 455–464, "Housing Reform As a Measure of Social Betterment."

Advanced Readings

Bauer—*Modern Housing.*

Editors of *Fortune*—*Housing America.*

Ford—*Slums and Housing.*

Hegemann—*City Planning Housing.*

Lynd and Lynd—*Middletown;* Chap. IX, "The Houses in Which Middletown Lives."

Pink—*The New Day in Housing.*

Watson—*Housing Problems and Possibilities in the United States.*

Wood—*Recent Trends in American Housing.*

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Federal Housing Administration—*Bulletins* and *Reports.*

National Housing Association—*Reports.*

President's Conference on Home Building and Home Ownership —*Reports.*

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CHAPTER XXVII

HAPPY FAMILY LIFE AN IDEAL OF SOCIAL PROGRESS

Objectives:

(1) To explain the importance of the family, its functions, and its development.

(2) To show the increase of divorce, and to examine suggestions for maintaining family stability.

A. Social Significance of the Family

1. **Importance.** The family is the most important of all social institutions, especially from the standpoint of its influence upon the individual. The family is, in reality, a small society in which the socialization of the individual is begun and continued through an important part of his life. Customs, attitudes, and a code of conduct are acquired which will strongly influence the quality of citizenship shown by the individual in the greater society of the community. The social life of the family develops such fundamental virtues as love, obedience, respect for authority, the co-operative tendency, altruism —consideration for others, and kindness. Conversely, the family may have a decidedly antisocial influence. Much of the crime and juvenile delinquency that exist today can be attributed to the antisocial attitudes acquired in a bad home environment.

2. **Functions.** (*a*) *Primary.* The primary function of the family is the biological one of reproduction, the perpetuation of the human species. The industrial function of the family has, for the most part, been lost; for production today has gone from the home into the fac-

tory. Again, the schools and the various church organizations have become modern substitutes for the educational and religious life of the family. But no social changes can undermine its primary biological function—the birth of offspring. The family is the social institution which produces new individuals for society and cares for them until maturity. Thus the primary function of the family is to transmit physical life from generation to generation. This function is as permanent as the human race itself.

(*b*) *Secondary.* There is also a secondary function of the family, namely, the transmission of social possessions from generation to generation. These may be material possessions, such as property and wealth, or the spiritual ideals of government and religion. The passing on of these possessions we sometimes call the process of socialization.

This secondary function of the family is to fit the individual for the larger life of society. It is to prepare for citizenship in the broadest sense of the word. This duty is, at present, in grave danger of being neglected, unless the church and the school come to the rescue of the family. For example, the school must not only enlarge its curriculum to include work in the social sciences, but it must also introduce courses in domestic science and in vocational training in order to give that preparation for later life which was formerly given in the home. The Sunday School has come into being to give moral and religious training to many boys and girls who might never receive such instruction at home.

B. Historical Development of the Family

3. Its Antiquity. Not only are the beginnings of the permanent monogamic family found among the most primitive peoples, but its rudimentary germs may even be traced back to the simple pairing system of the higher animals. Thus the present form of the family rests on thousands of years of evolution; its ultimate stability will not be endangered by one short period of transitional development.

4. Among Primitive Peoples. Numerous deviations from the permanent monogamic form of family life exist among primitive peoples. Here the duration of the marriage relation varies from a temporary state, among some groups, to lifelong union among others. Indeed, the character and permanency of family life indicate the degree of civilization attained by a particular society. Sometimes the relation is so temporary as scarcely to deserve the name of marriage. With the development of group life, however, marriage relationships become more definite; some sort of ritual or symbolic ceremony grows up to celebrate the union.

Divorce, in the sense of breaking up the marriage relationship, is very old. Among early peoples the right to a dissolution of the bond was generally given to the man, not to the woman. But among all civilized peoples, from the earliest times, the ideal marriage has been that of lifelong union.

5. Babylonians and Hebrews. The ancient law code of Hammurabi, ruler of the earlier Babylonian kingdom, mentions causes of divorce and regulations for the disposal of property or for the transfer of the dowry of divorced parties.

In ancient Jewish society, where the patriarchal system prevailed, family life was stable and authoritative. But even here the right of the husband to put away his wife was conceded in the Mosaic code.

6. Earlier and Later Romans. The family of the early Romans was patriarchal; it was also characterized by ancestor worship. The marriage ceremony was of a religious nature in which the bride's father freed her from the worship of her own household gods, whereupon she accepted the ancestor worship of her husband's family. Divorce and plural marriages were practically unknown among the early Romans, whose family life was pure and stable. Adoption was frequently resorted to by the Roman family when the line of descent was endangered by lack of natural offspring.

With the decay of ancestor worship, the patriarchal family declined. The decadence of family life was hastened also by the spread of new ideas concerning religion and by the numerous political and social changes of the later Republic. In the days of the Empire, marriage came to be regarded as a private contract; the old idea of the religious nature of marriage, prevalent in the early Republic, gradually disappeared.

The great law system of Rome also began to grow in complexity and to include the legal rights of women and children. Divorce, which was formerly almost unknown, became more and more frequent. The right of divorce was opened to wives, as well as to husbands. Among certain classes in the decadent period of Roman history, divorce was so common and so easy to obtain that a stable family life ceased to exist. Vice was unrestrained and played a sinister part in the downfall of the Empire. Rome at this time is a striking example of the apparently direct relationship between unstable family life and national disintegration.

7. **Marriage as a Christian Sacrament.** The Christian ideal of the Middle Ages was ascetic and severe. The early church fathers regarded both woman and the institution of marriage as obstacles in the path of saintly living; therefore celibacy, or the single life, was the rule for the clergy. Whereas the early church had exercised but little control over marriage, the ceremony later became religious and was performed by a priest in the parish church. Marriage was finally included as one of

the sacraments of the church, and the whole subject placed under ecclesiastical control. This point of view, known as the sacramental theory, regards marriage as indissoluble or unbreakable.

The wide jurisdiction of the ecclesiastical courts of the Middle Ages included not only religious matters, but also all questions regarding marriage. The church courts possessed the authority to pass on the validity of marriages as well as the power to try heretics. A marriage might therefore be annulled because of some fault impairing its validity, but divorce itself was not granted. The Roman Catholic Church today still regards marriage as a sacrament and refuses to recognize the right of divorce.

8. **Marriage as a Civil Contract.** The Protestant Reformation weakened the authority of the Roman Church, but strengthened the authority of the state. This resulted finally in the civil authorities taking over many powers formerly exercised by the church.

The trend of modern times has been toward separation of church and state; this movement has reflected itself in a changing attitude toward marriage. A civil marriage act was passed by England in Cromwell's time. On the Continent, this development was largely a result of the French Revolution; and the nineteenth century witnessed the spread of civil marriage throughout Europe.

Although laws recognizing divorce were not passed immediately, the new theory of marriage began to influence family relationships. As marriage became a civil contract instead of a sacrament, the breaking of family ties was regarded more lightly and practiced more frequently.

Ecclesiastical courts, like those of the feudal nobles, had long lost power, for their jurisdiction had been taken over by the state courts. When divorce was finally recognized, the civil courts were the only legal agencies to grant this right.

In the marriage ceremony of today, the religious, as well as the civil, idea persists. An entirely civil marriage, however, is possible. Such a ceremony may be performed by a magistrate or by a justice of the peace.

MARRIAGE
CENSE BUREAU
ENTRANCE
HOURS 9 TO 4

Photo by Brown Bros.

Marriage License Bureau in One of Our Large Cities

The prospective groom with the assistance of his prospective bride is filling out the application.

It is usually necessary to procure a license from the state authorities, before a ceremony can be performed by any official. Some European countries require a civil marriage, but it may be followed, if desired, by a religious ceremony.

C. Problem of Divorce

9. Rising Tide of Divorce. The rapid increase in divorce is one of the startling manifestations of modern times. In view of the important functions which the family still performs in society, this rising tide of divorce alarms those who fear the eventual dissolution of the family and social demoralization.

Although the increase in divorce has been more or less general throughout the world, the number of broken homes has been particularly marked in our own nation. Other countries with high divorce rates are Soviet Russia and Japan. Recently Japan has taken steps to check the rise in divorce. Great Britain and Canada have low divorce rates.

The fact that the United States has a high divorce rate does not necessarily indicate that moral conditions and family life are worse here than they are in nations possessing a lower divorce rate. Customs, laws, or religious beliefs may keep the family intact even when family life is on a low level. When divorce is difficult or impossible to obtain, there may be many disrupted families who cannot register their disruption in the divorce statistics of the courts.

10. Increase of Divorce in the United States. In 1890 there was approximately one divorce in the United States

INCREASE OF DIVORCE IN THE UNITED STATES

YEAR	NUMBER OF DIVORCES	NUMBER PER 1000 PERSONS	NUMBER PER 100 MARRIAGES
1888	28,669	0.48	5.4
1900	55,751	0.73	7.9
1910	83,045	0.90	8.8
1920	170,505	1.60	13.4
1928	195,939	1.63	16.6
1929	201,468	1.66	16.3
1930	191,591	1.56	17.0
1931	183,664	1.48	17.3
1932	160,338	1.28	16.3
*1933	165,000	1.31	
*1934	204,000	1.61	
*1935	218,000	1.71	
*1936	236,000	1.84	
*1937	250,000	1.93	

* Estimates made by Samuel A. Stouffer and Lyle M. Spencer, published by the Bureau of the Census.

to every seventeen marriages; in 1900 there was one to every twelve marriages; in 1920, one to every eight; and in 1930, there was one divorce to every six marriages. For a number of years the divorce rate increased three times as fast as the population.

In 1930, 1931, and 1932 there was a drop in the number of divorces, and in the ratio of divorces to population. But as the annual number of marriages also decreased during these three years of depression there was no decrease in the ratio of divorces to marriages. Since 1932, the number of divorces has again risen steadily and rapidly.

Statistics of divorce do not give the complete picture of broken homes, as there are many cases of desertion and separation which fail to reach the divorce courts.

11. Distribution of Divorce. The extent of divorce varies in different parts of the United States. In general it is greater in the northern and western states than it is in those in the South and the East.

In 1931 Nevada led in divorces with a rate of 57.17 per thousand people, as against a rate of 1.49 for the nation as a whole. This high rate, however, was due to the fact that discontented individuals with sufficient money flocked to Reno from all over the United States to obtain a quick and easy divorce under the liberal laws of Nevada.

Divorce tends to be greater in urban communities than in rural sections. This is true not only of our own country but of European countries as well. City life, with its amusements, turmoil, and impersonal contacts, apparently puts a strain on family relationships.

Divorce prevails to a greater extent among Protestants than among Roman Catholics. This is due to the uncompromising attitude of the Roman Catholic Church regarding divorce.

The influence of children is a powerful factor in cementing family relationships. This is shown by the fact that the divorce rate is higher among childless couples than among those having children.

Regarding the party to whom the divorce is granted, we find that more than twice as many wives as husbands bring the suit for divorce. This fact, however, does not prove that men are necessarily more to blame than women for broken homes.

About half the divorces take place within five years after marriage. It would seem, therefore, that the first few years of married life constitute a difficult period of adjustment; if passed successfully, the likelihood of later divorce is lessened.

12. Effects of Broken Homes on Children. It is said that about one hundred thousand children are affected by divorce each year. Perhaps an even greater number of children are affected by the desertion of one or both parents. Divorce or desertion means not only the breakup of family ties, but for the children in many cases it means emotional disturbances which may lead to serious maladjustments. Broken homes and lack of parental care are important causes of juvenile delinquency. On the other hand, broken homes may be less of a menace than bad homes, and the absence of an unworthy parent may be less injurious to a child than his or her presence.

D. GROUNDS FOR DIVORCE AND CAUSES OF DIVORCE

13. Legal Grounds for Divorce. Legal grounds for divorce vary as much among the different states as do the actual rates of divorce. South Carolina refuses to grant divorce; New York recognizes but one cause, infidelity; while in other states there are many legal grounds on which divorce may be granted. The three leading causes are cruelty, desertion, and adultery.

Often the legal grounds on which divorce is granted reveal little information as to the real cause of the disrupted family life. To the student of American democracy, the causes underlying the broken family life are of more importance than the actual divorce, which merely legalizes the disruption already accomplished. Desertion, for which many divorces are granted, is a ''blanket'' term. It may be used as the legal ground for granting the divorce, although the real cause of the disrupted family is not revealed.

Variation between the states in the strictness of divorce laws often results in a certain amount of migration from state to state for divorce seekers. Reno, Nevada, as the statistics indicate, has deliberately catered to a colony of temporary residents seeking quick divorce.

14. Economic Changes as Causes of Increase in Divorce. (*a*) *Domestic System Replaced by Factory System.* The rise of the factory system marked the passing of the economic function of the family. Production went from the home to the factory. In earlier days, the father farmed, the mother spun, and within the family circle were produced most of the necessities of life. Today, even articles of food, such as bread and soup, are more often prepared in the factory than in the home.

Although division of labor and the use of machinery have made goods cheaper and more plentiful, these forces have broken up the economic interdependence of family life. Great industrial centers have developed where not only fathers, but also mothers and children, find employment. The factory system has lessened the work to be done at home, but has offered to women and children employment in the factory. Different members of the family become employed in different places and occupations. Interests vary, and the home sometimes becomes merely a place in which to eat and sleep.

Such a situation often results in the production of unsocialized children, because high ideals of family life are lacking. The neglect of practical training in the duties of motherhood may bear fruit in the unhappy homes of a future generation. Hence, the school is taking over some of the old home duties in offering courses in domestic science. Mothers, employed long hours in factories, have little time to teach, or to illustrate by example, the art of happy homemaking to daughters often similarly employed. In some cases, nervous or physical exhaustion makes them unfit for their own duties of wife and mother. A severe struggle for existence is often a serious strain on married life.

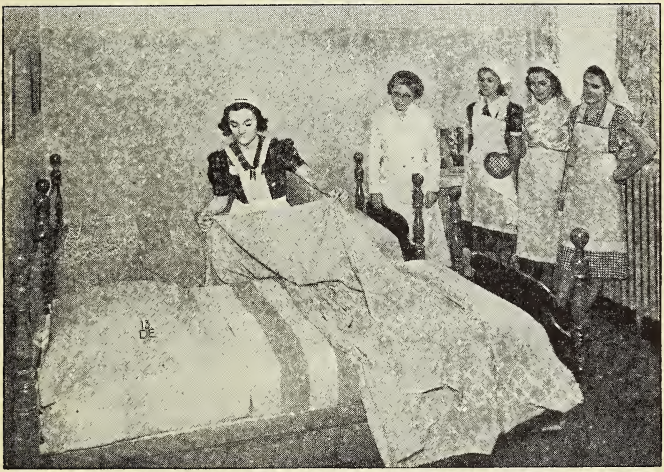

Photo from Ewing Galloway

TRAINING GIRLS FOR HOMEMAKING

These junior-high-school girls are learning the proper way to make a bed.

An equally grave situation is met in the homes of another class, where the opposite situation prevails. Modern industrialism has lessened the amount of hard work to be done in the home, particularly in the city home. Therefore, women of the wealthy class often live at indolent ease. It is this group of "idle rich," where the birth rate is low, that furnishes so many divorce scandals. Leisure time, unprofitably or unwholesomely employed, weakens the moral fiber far more than a hard-pressed or overworked existence.

(*b*) *Economic Emancipation of Women.* Until recent times, woman, rightly or wrongly, has usually been regarded as economically dependent on man. This view has prevailed in spite of the fact that woman has always performed a large part of the industrial labor of society. Her work, however, has been less noticeable than that of man, because it has been confined to the home. Matrimony, therefore, was regarded as a means of support for women.

Employments now open to women have so widened that matrimony is no longer regarded as a necessary means of support. Divorce offers a way out of an unhappy married life, while industry furnishes a means of support. Woman is now in industry as an independent competitor, receiving money wages for services rendered. This growing economic independence of woman may be read in the laws establishing the property rights of married women. Not only divorce, but also late marriage and spinsterhood, are frequent manifestations of the economic emancipation of woman.

(*c*) *Higher Standards of Living.* With the advance of industrial civilization has come a rise in standards of living which, of course, has been accompanied by an increase in costs of living. Wants and desires sometimes have increased faster than incomes. The luxuries of yesterday have become the necessities of today. Higher standards of living are socially desirable, but when they exceed wholesome limits, the results are often disastrous. Each group seeks to imitate the standards set by the next higher economic class. This is the cause of much domestic unhappiness, which reflects itself in increasing divorce.

Luxurious living and increased cost of living are thus partly responsible for the later age of marriage and for the accompanying increase of divorce. Professional men of today are often financially unable to undertake the responsibilities of married life until they attain the larger income that comes with later years. But at this later age, the habits of an individual are relatively more fixed and harder to change. Thus, the adjustment necessitated by marriage is more difficult in later than in earlier life. On the other hand, it may be said that mature years bring judgment and discretion; while early marriages, rashly contracted by impetuous youth, often result in marital disasters. Nevertheless, a rising divorce rate in this country has accompanied the advancing age of marriage. Whether or not there is a causal relationship between these two developments is debatable.

(*d*) *City Life.* Our industrial system has resulted in the rapid growth of enormous cities. The divorce rate is higher in urban than in rural communities. Here are most apparent differences in standards of living. Again, vice and immorality are often associated with city life. Slums constitute a difficult environment for a wholesome family life; a normal happy family life is hard to attain for those living in congested districts.

15. Social Progress and Increased Divorce. (*a*) *Rise of Individualism.* The Renaissance and the Protestant Reformation revived individualism which was expressed also in the political philosophy of the French and American Revolutions, and in the economic doctrines of *laissez faire* or "let alone" in industry.

The old authoritative type of family life reached its extreme development in patriarchal days, when a woman was regarded as the property of her husband. For many centuries, traces of that spirit lingered in family life, but today they have been almost wiped out by the spread of democratic individualism. Social institutions are not now regarded as existing for themselves but rather for the benefit of those who create them. Thus marriage as an institution is not always considered inherently sacred and divorce is frequently sought by discontented individuals as a way out of an unhappy family life.

(*b*) *Woman's Movement.* The rise of individualism has also reflected itself in what is generally known as the Woman's Movement. We have spoken of the economic emancipation of woman, and now pass on to a consideration of the intellectual and legal aspects of this same problem.

The inferior position of woman, due to her economic dependence on man, no longer exists. Under the old system, the wife obtained little satisfaction for wrongs suffered. She often accepted her fate stoically; but with the acquisition of new rights and a new point of view, woman has chosen to obtain relief from conditions to which she formerly submitted. The rising divorce rate —unfortunate though it be—does reflect the growing freedom of American women and does not necessarily indicate that conditions of family life are worse than they were before the movement began.

(*c*) *Popularization of Education and Law.* The decrease of illiteracy shows that education is no longer the privilege of the few. Public schools, free libraries, and daily newspapers spread knowledge which brings emancipation from tradition. Knowledge and progress always produce social unrest. To this principle the institution of marriage is no exception. Existing injustices are more keenly felt, and escape is sought from conditions which formerly were endured. Law, as well as education, has been popularized. Ordinary legal knowledge is now within the reach of everyone, and the courts are open to all. Individuals who formerly knew little of divorce now know how and why a divorce may be obtained.

(*d*) *Moral and Religious Changes.* History bears witness to the fact that no stable family life has endured without a religious basis. In Rome, the decay of religion was followed by an increase of divorce. At present we are witnessing the passing of the dogmatic or dictatorial age of religious history. With this change in point of view goes an increase in divorce.

In modern discussions on religion, character and service are becoming more important. New ethical concepts of right and wrong are being formed. Formerly, it was regarded as pious to continue the sacred marriage relationship in spite of all differences and to endure any suffering which might arise. The modern attitude, however, seems to be that marriage, like the Sabbath, was made for man, and not man for marriage.

Finally, an increase of divorce does not necessarily mean an increase of immorality. It may mean that our moral standards are higher, and that fewer wives will permit deception or brutality. Thus the new situation may really be an indication of higher, and not lower, ideals of family life.

E. Greater Family Stability

16. Religious Attitudes toward Divorce. The attitude of the Roman Catholic Church toward divorce has already been mentioned. The Protestant churches also have been alarmed at the rapid increase of divorce, and at various meetings of the governing bodies of the different denominations action has been taken on the subject. Slight variations exist in the resolutions of the different bodies, but a consistent effort has been made to lessen the number of recognized causes of divorce. Infidelity is usually regarded as the sole Scriptural ground for the granting of divorce. The indiscriminate marriage of divorced people has also been condemned.

17. Legal Remedies for Divorce. The desirability of more uniform marriage and divorce laws is apparent, but uniformity in administration also is needed. For these reasons, some critics of the present situation have advocated a constitutional amendment to permit the passage of a uniform federal divorce law, comparable to our present uniform federal bankruptcy law for financially distressed individuals and companies.

Not only a decrease in the number of causes for absolute divorce, but also a legal prohibition of the marriage of divorced people is often recommended. This latter restriction, however, is regarded by some writers as both dangerous and undesirable. Better, perhaps, would be the recommendation of the National Congress on Uniform Divorce Laws that a certain time should elapse after the granting of divorce before the remarriage of either party. This is sometimes done by a *nisi* or conditional clause, which prevents the divorce from becoming effective until the lapse of a year or two. This restriction affords the possibility of reconciliation and lessens the likelihood of fraud or scandal.

18. Courts of Domestic Relations. Some communities have established special courts of domestic relations. Under this system, all applications for divorce first come before a special court, which carefully investigates the case in order to determine whether, for the good of society, the dissolution of the family tie is warranted. Reconciliation is generally the aim of the court; but unfortunately, it is often too late to accomplish this end.

19. Good Marriages and Wholesome Family Life. Regarding all remedies for divorce, it is well to remember that divorce itself is merely the legalization of the disruption of family life which has already been accomplished. Real reform has its roots in premarital conditions and in family life itself, rather than in restrictions on divorce. Bad marriages are essentially the cause of divorce. These include hasty, frivolous, thoughtless, selfish or mercenary unions and those between persons with mental or physical defects or with widely different tastes, interests, and social backgrounds. Again, the various causes existing in the environment which hinder a wholesome family life should be carefully considered in any comprehensive attempt to lessen the amount of divorce.

20. Educational Approach. In seeking to reduce the divorce rate, the proper education of the young is even more necessary than legal remedies. Education, in its broadest sense, is designed to fit the child for his proper place in society. It is a more than formal instruction in a course of study. It should, therefore, emphasize the basic position of the family, the sanctity of the marriage relationship, and the necessity for high family ideals. To do this, the church, the school, and the home should co-operate, each having the same aim but pursuing different methods.

Summary. Economic instability was illustrated in Part Two by the business cycle; social instability in Part Three by the rising tide of divorce.

It would seem that the family, like other social institutions, is in a process of transition. The economic bonds which formerly held it together are weakening, while at the same time the authoritative ideal of family life is gradually disappearing.

The family of the future must depend largely on mutual love, consideration, and forbearance. It will therefore be stronger and of a higher type. Again, the unfortunate increase of divorce may be an indication of social progress, which is always a costly process. Enlightenment focuses attention upon injustices and maladjustments. The older type of family was more stable because it rested on an authoritative basis. A more democratic type must be evolved in harmony with the higher ethical standards of the age.

Of the monogamic family we need not despair. The single pairing family will persist. After the process of adjustment is completed, the ideal of lifelong union will once more triumph. The new type of family will be founded on the principle of mutual obligation. It will be democratic and the spirit of dominance and subordination will disappear.

Word Study: Antisocial; stoical; uncompromising, indissoluble, incompatible, indiscriminate; marriage, divorce, annulment, dissolution; civic, ecclesiastical; ascetic, celibate, celibacy; ritual, dogma, sacrament; perpetuation, disintegration, decadence; dowry; validity; monogamy, polygamy, polygyny, polyandry; patriarchal family, matriarchate.

QUESTIONS ON THE TEXT

1. Why is the institution of the family of tremendous social significance?

2. What are the primary and secondary functions of the family?

3. Distinguish between the view of marriage as a sacrament and that of marriage as a civil contract.

4. Has divorce been increasing or decreasing in recent years? Cite facts to prove your position.

5. What can you say about the distribution of divorce?

6. What are some general legal grounds for divorce in the United States?

7. Give some economic reasons for the recent increase of divorce. Give some social causes. Can you suggest other reasons?

8. Outline some legal reforms which you would consider desirable in the matter of granting divorces. Give reasons in each case.

9. Explain the functions and services of courts of domestic relations.

10. Show the importance of good marriages to social stability and to the permanence of the family relationship.

11. Explain the present instability of family life as a problem of social adjustment.

12. Explain family instability as a result of economic change.

Application and Interpretation

1. Show the antiquity of the permanent monogamic family. What implications, if any, does this fact seem to have?

2. Show how the early development of Christianity affected the concept of marriage and the institution of the family.

3. Show how the Protestant Reformation and the French Revolution affected the modern concept of marriage.

4. Show the effect on family life of each of the following: (*a*) Substitution of factory for domestic system; (*b*) economic emancipation of women; (*c*) rising standards of living; (*d*) modern city life.

5. What do you understand by the so-called ''Woman's Movement''? Show its effects on family life.

6. Does an increase in divorce necessarily mean a lowering of moral standards? Why or why not?

7. Would you favor a constitutional amendment making possible uniform federal laws on the subjects of marriage and divorce? Why or why not? Give advantages and disadvantages.

8. What effects, if any, have the widely publicized divorces of some members of the Hollywood movie colony had on American family life?

Suggested Activities

I. Prepare talks on the following subjects:

1. Conditions in modern life that influence divorce.
2. Courts of Domestic Relations.
3. Suggested reforms in our marriage and divorce laws.

II. Have a committee look up and report in class on:

1. Marriage-dowry customs.
2. Primitive marriage ceremonies.

III. Make a list of those qualities which you think of most importance in a future husband or wife. It might be well to number them in order of the significance which you attach to each. Turn in your lists to the teacher. The results will be tabulated and discussed in class. It is suggested that no names be signed to these papers, but that they be given careful thought.

IV. Have a committee contrast the marriage and divorce laws of your own state with those of several other states.

V. Plot a curve showing the rise in the divorce rate in the United States since 1890. Also plot a curve showing the marriage rate since 1896.

VI. Prepare a debate: Resolved, That there should be a constitutional amendment permitting a federal divorce law.

VII. Write an essay in which you make specific suggestions for a more stable, wholesome, and happy family life.

Collateral Readings

Eldridge and Clark—*Major Problems of Democracy;* Chap. I, "The Family and the Home."

Elliott, Merrill, Wright—*Our Dynamic Society;* Part III, "The Family."

Ellwood—*Social Problems—A Sociology;* Chaps. IV, V, VI, VII, and VIII, which discuss the family.

Gavian, Gray, Groves—*Our Changing Social Order;* Chap. X, "Marriage and the Family."

Hilton—*Problems and Values of Today;* Vol. II, Unit V, "Home and Family."

Jordan, Ziller, Brown—*Home and Family.*

Landis and Landis—*Social Living;* Chap. XIII, "The American Family"; Chap. XVIII, "Divorce."

Quinn—*The Social World and Its Institutions;* Unit VI, "Domestic Institutions."

Ross—*Civic Sociology;* Chap. VI, "The Transformation of the Home"; Chap. VII, "The Family."

Shideler—*Group Life and Social Problems;* Chap. IX, "The American Family and Home."

Towne—*Social Problems;* Chap. XII, "Marriage and Divorce."

Advanced Readings

Davis, Barnes, and others—*Introduction to Sociology;* Book IV, Chap. II, "The American Home."

Gillette and Reinhardt—*Current Social Problems;* Part V, "Problems Centered in the Domestic Institution."

Gillin and Blackmar—*Outlines of Sociology;* Chap. X, "Genesis and Life of the Family"; Chap. XI, "Changing Life of the Modern Family."

Goodsell—*A History of Marriage and the Family.*

Groves and Ogburn—*American Marriage and Family Relationships.*

Lichtenberger—*Divorce.*

Lumley—*Principles of Sociology;* Chap. XIV, "The Family Organization."

LYND and LYND—*Middletown in Transition;* Chap. V, "Making a Home: The Arena of Private Adjustment."

MOWRER—*The Family: Its Organization and Disorganization.*

PHELPS—*Contemporary Social Problems;* Chap. XIII, "Divorce"; Chap. XIV, "Desertion"; Chap. XV, "Widowhood."

PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol I, Chap. XIII, "The Family and Its Functions."

YOUNG—*An Introductory Sociology;* Chap. XI, "The Family and Its Institutions"; Chap. XII, "The Modern Family."

CHAPTER XXVIII

EDUCATION A WAY OF SOCIAL PROGRESS

Objectives:

(1) To show the significance of education and to trace its development.
(2) To observe the rise of the public-school system and the extension of educational services.

A. Functions of Education

1. Social Significance of Education. The complexity of modern life and the seriousness of the problems pressing for solution have created the need for a more cooperative type of citizenship. In our progressive civilization education has become increasingly important as an agency for producing responsible citizens. Through education the individual can be prepared to understand more thoroughly and to discharge more efficiently his duties and obligations as a citizen of the community. Education, therefore, may be thought of as a process of individual enlightenment which benefits society as a whole. Democracy especially emphasizes the function of the school as an agency of social control and as a means of social progress. In fact, education may well be considered the bulwark of civilization and the defense of democracy.

By means of education, necessary adjustments and adaptations can be made to meet the changing conditions of our times. It is through education that society tends to retain those things which are found to be socially desirable and to eliminate those things which retard progress. Through formal education in school, or informal education outside school, individuals receive the knowledge and training, the culture and discipline, the technical skills and social attitudes necessary alike to their own personal growth and to the social progress of the group.

In no other way than by education, using that term in its broadest sense, can the social inheritance of a people be handed on from generation to generation and be transformed into sound national character. For that reason it is the duty of the state to provide a system of education which will insure the realization of higher social ideals and fuller individual development.

A brief survey of the history of education will show that sometimes education has taken it for granted that the individual exists for the state, whereas in other times and places a more liberal education has permitted a freer development of individual personality and character. Education in a dynamic society is creative and progressive; in static societies it lapses into mere formalism or strict observance of convention.

B. Historical Background

2. Education among Primitive Peoples. Education is as old as civilization itself. Long before the evolution of the school as a distinct social institution, as pointed out in the previous chapter, parents educated their children around the fireside in ways of living and ways of getting a living. Primitive education was both practical and theoretical. Practical education for boys consisted of training in the arts of war; practical education for girls included training in such arts of peace as making clothing and pottery and preparing food and lodging.

Theoretical education was primarily instruction in the customs and traditions of the group. This was often done outside the home and family circle by the elders of the tribe or by a special group of priests or medicine men.

Teaching consisted of the giving of advice and the telling of stories. When the age of adolescence was reached or passed, and when both the practical and theoretical education of youth was completed, public initiation ceremonies were generally held. These ceremonies dramatized the fact that the boys were now men and warriors and that the girls were ready for marriage and motherhood. They were sometimes very elaborate and included tests or demonstrations of skill, courage, and endurance.

3. Education among Ancient Peoples. (*a*) *Orientals.* The aim of education among the Orientals was the preservation of their civilizations and the prevention of change in their institutions. Instruction, therefore, was largely a process of imitation and memorization. The ancient Hebrews learned the Mosaic laws; the Hindus, the sacred Vedas; and the Chinese, the revered sayings of Confucius and other literary classics.

(*b*) *Greeks.* The Greeks made tremendous contributions, not only to political progress, but also to cultural advancement. Athens was the cradle of the arts and sciences, as well as of liberty and democracy. It is impossible and unnecessary here to review the contributions of the ancient Greeks in architecture and sculpture, in drama and history, and in philosophy and science. Plato and Aristotle are still the fountainheads of wisdom; they were two of the greatest teachers of all time. The Greeks had schools and universities, libraries and museums. But above all else they had the ideal of a liberal education; that is, an all-round education of body, mind, and spirit. Athletic in physique, keen in mind, and balanced in temperament, they formulated and followed the ideals of beauty, truth, and justice.

Athenian and Spartan educations were as different as their respective civilizations. The Spartan ideal was that of the soldier, and the individual was completely submissive to the state. At a very early age, boys were taken from their mothers and compelled to live with the men in barracks. Their education was purely physical and military. On the other hand, Athenian education, like Attic civilization itself, was more concerned with the cultural aspects of life. The ideal of Athenian education was the liberal and well-rounded individual.

(*c*) *Romans.* The Greeks were thinkers, captivated by speculative philosophy, whereas the Romans were doers, interested in practical achievements. In education, as in other things, the Greeks were innovators and the Romans imitators.

Roman civilization can be divided into two rather different periods. The early stage represented the native Italian culture, which was simple but heroic; its ideals were those of the soldier, not those of the scholar. Later Roman civilization was an adaptation of Greek culture. Athens furnished the models for literature and architecture; Greek pedagogues directed the footsteps of young Roman patricians.

4. Medieval Education. Medieval society was divided into the military or vassal classes, the clergy or priestly classes and, finally, into the working masses. Each group had its own particular type of education or conspicuous lack of education.

Education of feudal nobles was in the practical art of hand-to-hand combat and in the pleasant customs of *chivalry.* A gently-born lad was first a page to a noble lady in the castle and then a squire to a nobleman on the field of battle. On coming of age or by performing some chivalrous deed, a young man might be knighted. Knighthood ceremonies were elaborate affairs, including a religious ritual and a military spectacle.

The great masses of serfs or agricultural laborers on the manors received no education whatsoever except the rigorous discipline of hard labor and passive obedience. The industrial workers in the medieval towns, however, were better off and received some care and training through the *apprenticeship* system of education. A boy was bound over to a master, who stood in the position of a parent to him during the period of his apprenticeship. After serving his apprenticeship in the home and workshop of his master, a young man became a journeyman; he could then come or go as he pleased and work for wages instead of board and education. If a journeyman could save a modest amount of capital and demonstrate especial skill in craft or trade, he might become a master workman.

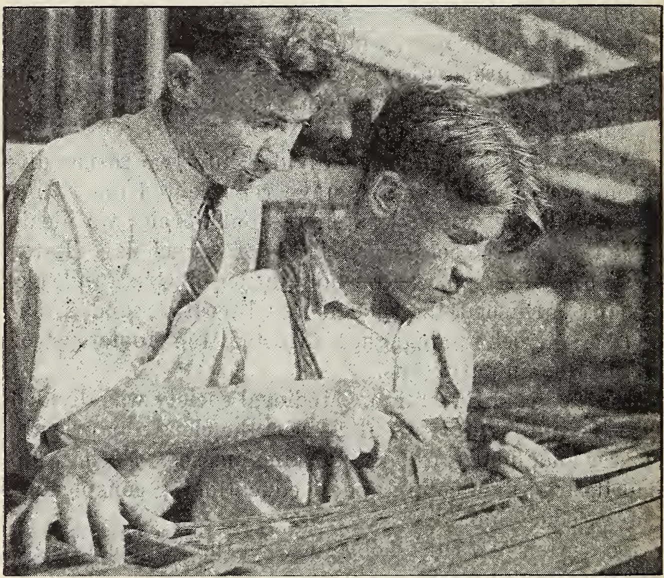

Photo from Lewis W. Hine

AN APPRENTICE IN A SILK MILL

Even today, it is necessary to serve an apprenticeship in some industries.

The clergy were the literate group in the Middle Ages.

Monasteries were seats of learning and storehouses of whatever classical manuscripts had not been destroyed. Schools gradually grew up around monasteries and cathedrals. Their chief aim was the education of the clergy.

In the later medieval period, *universities* developed or revived in such intellectual centers as Paris, France; Oxford, England; and various Italian cities. The most popular course of study was theology, the study of religion, but there were also the faculties of law, medicine and philosophy, or general arts and sciences. The scholar, like the vassal or guildsman, might go through three stages, i.e. those of bachelor, master, and doctor.

The basis of medieval study was the *seven liberal arts:* grammar, logic, rhetoric, geometry, astronomy, arithmetic, and music.

Medieval *schoolmen* developed precise thinking and rigorous tests of sound deduction. Nevertheless, the grip of authority was heavy and the influence of theology was of supreme importance. Although the schoolmen were keen debaters, the argument was generally won by an apt quotation from, or an artful interpretation of, the Scriptures, the writings of the Church Fathers, or approved pagan authors of ancient Greece or Rome.

C. Broadening of the Curriculum

5. Humanities. The Renaissance revived an interest in the writings of the ancient Greeks and Romans. This movement in education has been termed *humanism,* and literary studies have often been referred to as the humanities. For a long period of time literature and languages constituted the core of the curriculum. In addition there were various branches of mathematics. Philosophy included natural philosophy, the rudiments of the natural sciences, and moral philosophy, the beginnings of the social studies.

6. Modern Discoveries and Inventions. The scientific experiments of Roger Bacon gleamed like a bright star in the dark sky of medieval ignorance and superstition. The various prophecies of his brilliant imagination have since become facts of everyday experience. With the Renaissance began the dawn of a new era in physical science. Galileo, peering through his crude telescope, dared to assert that it was not the sun but the earth which rotated and revolved. The theory of Copernicus shattered the older astronomical ideas. The sun, not the earth, was found to be the center of a great solar system, of which the earth was only one member.

The scientific movement gradually progressed from the development of the physical sciences—astronomy, physics, and chemistry—to the development of the biological sciences of botany, zoology, and physiology. Harvey's discovery of the circulation of the blood was as revolutionary as Galileo's discovery of the revolution of the earth around the sun. Darwin's announcement of a theory of biological evolution was as shocking as the earlier speculations of Copernicus. Man was found to be similar to other animals in body-structure, just as the earth had been discovered to have relations to other heavenly bodies.

The scientific movement later reflected itself in a practical manner in a great series of mechanical inventions. The steam engine, for example, revolutionized land and water transportation, as well as the methods of manufacturing. Modern life has been transformed by the application of steam and electricity to industry. Pure science had given birth to applied science or technology.

7. Scientific Movement in Education. The scientific movement not only affected industry, but also education. Through its influence the content of a liberal education began to expand, and there was a demand for the admission of numerous new studies into the curriculum.

(*a*) *Origin.* In his essay on education, Herbert Spencer boldly asked the question: "What knowledge is of most worth?" After discussing various aims, he answered his own question by declaring that education should be a practical preparation for life. "How to live? —that is the essential question for us." In his enumeration of the studies contributing to that end, the sciences take a commanding position.

(*b*) *Effects on Educational Content.* Science in one form or another now has an assured place in the curriculum, not only of the secondary schools, but also of the elementary schools. Physics and chemistry are taught in the high schools, in addition to mathematics and the classics. In the elementary schools, geography, physiology, and nature study now have places beside the "three R's," reading, 'riting, and 'rithmetic. Meanwhile courses in modern sciences have found their way into colleges and universities. Great scientific and technical schools have been established for instruction in engineering, chemistry, and industry.

(*c*) *Effect on Educational Methods.* When the scientific method of observation and experimentation was directed toward education itself, great changes took place in methods of teaching and in school administration. Many accepted methods were found, in the light of scientific tests, to represent merely traditional practices. With the development of psychology, education became a science as well as a practical art.

The popular cry for efficiency and modernity has been echoed from industry to education. The old-fashioned schoolmaster and the "little red schoolhouse" of our parents are passing into history. Changes are taking place so rapidly as to be bewildering; new courses are being introduced and old courses are being modified or discarded. The "fad" evil is common to periods of transition, and mere radicalism must not be interpreted as progress. However, the new problems of a new age always require educational adjustment.

8. Sociological Trend in Education. The sociological movement in education grew out of the scientific. It likewise sought to answer the famous question: "What knowledge is of most worth?" by emphasizing the importance of that knowledge which best fits the individual to meet the needs of his social and economic environment. The aim of education, however, became social as well as individual; it came to include training for cooperation within the group, as well as that for individual fitness to survive. The social, as well as the natural, sciences made their way into the curriculum. Economics, for example, has found a place in the secondary schools, and civics in the elementary schools. Sociology itself, in the form of a study of concrete social problems, has been introduced into the high-school curriculum. On its practical side, the sociological view of education adds to the curriculum vocational training for those pupils who must soon join the ranks of wage earners.

D. Rise of Public-School Systems

9. New Democratic Ideals. Until recent years, schools were regarded as private ventures; a man's education was a matter of concern only to himself and his parents. There were no national school systems at public expense. The pioneers of public education were found in various philanthropic institutions, such as the charity schools of England. The great progress of democracy in the last century had its effect on education, which has now come to be regarded as a civic necessity. The old aristocracy of learning is a thing of the past. The masses, formerly regarded as "hewers of wood and drawers of water," are no longer content to remain in ignorance. Medieval monarchs may have wished merely a loyal peasantry, but modern democratic nations cannot exist without an educated citizenry. Thus, during the last century and a half, the leading nations of Europe have developed state systems of free public education.

10. European Countries. (*a*) *Germany.* Prussia was one of the first states to organize a compulsory system of universal education. This was accomplished by the benevolent despot, Frederick the Great.

(*b*) *France.* A national system of education had its beginnings in France during the Revolutionary and Napoleonic periods. Louis Philippe organized a scheme of elementary education whereby each commune or district was required to establish a primary school. Under the Third Republic, elementary education has been made free to all and compulsory. The separation of the school system from church control has also gradually taken place. The administration of schools in France, like that in Germany, is highly centralized under a Minister of Education.

(*c*) *Great Britain.* A national system of education was late in appearing in England, because the established Anglican Church long maintained a strong grip on educational institutions. In 1870, however, an important law was passed establishing elementary schools supported by government grants. Compulsory school laws have also been passed.

11. Development in the United States. (*a*) *Colonial Origins.* Our own early educational policy varied in the different colonies. The aristocratic ideal was expressed in the famous statement of Governor Berkeley of Virginia, condemning free schools. In New England, on the other hand, the schoolhouse, like the meetinghouse, was established in every township.

As early as 1647, Massachusetts required each town of fifty families to support an elementary school; and each town of a hundred families, a grammar school—an institution comparable to the secondary school of today. That the fathers of our nation realized the importance of higher education is shown by the colonial origins of colleges, such as Harvard and Yale in New England, William and Mary in Virginia, and Pennsylvania, Princeton, and Columbia in the middle colonies.

From The Geo. T. Bagoe Collection of Historical Photographs

A "LITTLE RED SCHOOLHOUSE" IN NEW ENGLAND

(*b*) *Later Growth.* The early part of the nineteenth century saw the rapid extension of the common school throughout the United States. Many "little red schoolhouses" dotted the western wilderness, so rapidly developed by our hardy pioneers. Public high schools, characteristic American educational institutions, arose to take the place of the older Latin grammar schools and the private academies. Normal schools were also established for the training of teachers. Not only has the number of students in such institutions increased, but also educational standards have risen.

(*c*) *Control by Individual States.* There is, as yet, no centralized administration of schools in the United States, for each state has its own independent system. These state systems, however, do not vary so widely as might be expected. Every state has a well-organized plan of elementary education, and a fairly well-developed secondary or high-school system, providing instruction for three or four additional years. Many commonwealths, especially in the West, have large and well-endowed state universities, so that free education from kindergarten to college is within the reach of all their citizens.

(*d*) *Comparison with Europe.* Our American Democracy, with its fundamental principle of the separation of church and state, has regarded education as the bulwark of free institutions. Unlike some European countries, religious or sectarian schools in this country have not been incorporated into our public educational system.

Another difference between the school systems of Europe and those of the United States lies in our refusal to recognize class distinctions. In Germany, for example, there are separate schools for those who expect to continue in institutions of higher learning and for those who must leave school as soon as possible. The needed differentiation in preparation for university or for life takes place in the lower schools. In the United States, on the contrary, it is deferred to as late a date as possible. There is practically one educational ladder for all classes. The system of separate schools for different groups may be more efficient, but it is distasteful to the ideals of American Democracy.

E. VOCATIONAL EDUCATION

One of the most conspicuous educational movements of today is the development of vocational training. This may take three forms: (1) industrial, (2) commercial, and (3) agricultural.

12. Industrial Training. (*a*) *Necessity.* Under the older system of industry, an individual passed through the stage of apprenticeship, wherein he was taught by the master of the shop. Following the Industrial Revolution and the development of the factory system, this method of learning a trade gradually declined. At present, the work of a factory employee is generally limited to a single process, and only occasionally does the employer attempt to broaden the knowledge of his workers. Hence the school, an outside agency, has been called upon to meet the new demands of industry.

(*b*) *Industrial Education in Europe.* Many states of Europe have had training of this sort for half a century. In Germany, continuation schools have been especially successful. A continuation school is so called because in it education is continued after the pupil discontinues regular school sessions. The employee is permitted by his employer to return to school a certain number of hours each week. Many localities have made such attendance compulsory for all apprentices up to the age of eighteen and have required the employers to grant them time for such study. Not only is training provided for the lower grades of artisans, but instruction may also be given to foremen, superintendents, and technical clerks.

(*c*) *Industrial Education in the United States.* Industrial education in our own country appeared later than in Europe. Our earlier industrial schools were founded by private philanthropy or as a result of individual experiment. In the twentieth century, however, they became part of the public-school system. Trade schools were established in numerous cities, while continuation classes were sometimes introduced in connection with compulsory education laws. Manual-training courses, first established in secondary schools, later spread to the elementary grades. The purpose of manual-training instruction, as distinguished from that of trade schools, is to offer the student general industrial training rather than to prepare him for some particular occupation.

13. Commercial Education. Vocational training has not been altogether industrial. With the great expansion of commerce, as well as of manufacturing, came the demand for a thorough preparation for business. In our own country the early history of commercial education was the usual story of private enterprise fulfilling a public need. Indeed, at the present time, business schools and other such private institutions enroll many students of commercial education. Finally, the insistent demand for a modern and comprehensive system of education won the recognition of public-school authorities; and commer-

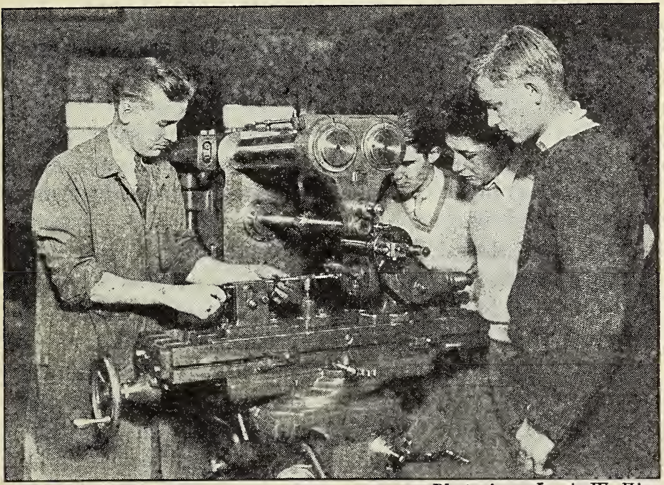

Photo from Lewis W. Hine

INDUSTRIAL TRAINING IN HIGH SCHOOL

A shop teacher explaining the operation of a machine to his pupils.

cial courses now have an established and an esteemed place in our scheme of public education.

Since the opening of the present century, great progress in this type of education has been made. Commercial courses, in addition to manual training, have been added to the older and more purely academic high-school curriculum. By recognizing the divergent needs of the various students who attend American public high schools, secondary education is no longer exclusively preparation for a college career.

Colleges themselves have long recognized the need of practical education. Splendid engineering schools and widely attended courses in finance and commerce show plainly the great educational adjustments made by American universities.

14. Agricultural Education. Another aspect of vocational education is the agricultural. In 1862, Congress appropriated lands in every state, amounting to millions of acres, for the promotion of education. Because of the obvious needs of our national life, it was definitely arranged that agricultural education should be emphasized in the schools thus founded. Nearly all our states, therefore, have established colleges which receive public support and which provide courses of instruction in agriculture. The need for such training is great because the United States is still largely an agricultural nation, and her present methods of farming are often wasteful and inadequate. In many rural communities, agricultural courses in high schools have been organized, and the movement is even taking root in the elementary-school system.

Not only has agricultural education resulted in more efficient methods of farming, but it has also stimulated an interest in country life and its opportunities. In many rural communities, the school has become, for the surrounding farmers, a co-operative center, where soils can be tested, the results of experiments shown, and a general knowledge of scientific farming spread.

F. Broadening Concepts of Education

15. Student Self-government. The individualistic tendencies of the past must give away to a training for group life and for democratic citizenship. Such an ideal necessitates changes not only in subject matter, but also in school government. Courses in civics and social problems are splendid aids to good citizenship, but they must be supplemented by student activities. We learn good citizenship by trying to carry out its principles, even more than by studying about them. We can learn democracy only by practicing it in our daily lives. If the social ideal within us does not find expression in some constructive work, it soon loses force. No student is too young to engage in some humble co-operative task of civic work.

The school itself is a community in which the student should learn the principle of self-restraint for the good of the greatest number. Discipline imposed from above may at times be necessary, but it is a poor substitute for student self-government. School spirit in the youthful soul is akin to the patriotism of maturity. It should not only be fostered as good emotional sentiment, but it should also be utilized as an effective means of social control.

16. Social Services of Schools. Vocational education is only one illustration of the increasing social service performed by the school. For those who are too old to attend day sessions, the public-school system provides evening sessions. The university-extension movement and evening college courses affords intellectual development for minds even more matured. Those living in rural communities, remote from larger cities and educational centers, may enroll for correspondence courses through the mail. In fact, the educational opportunities of the present age are so great that no valid excuse now exists for general ignorance.

The functions of the school have increased as their activities have expanded. Playgrounds are now frequently operated in connection with the public-school system; they afford opportunity for recreation in the congested areas of our large cities. School gardens also have been operated in rural and suburban communities.

Progressive school administrations have provided special schools and classes for the mentally deficient and physically crippled. Some cities have established open-air classes for tubercular children and sight-saving classes for those with serious defects of vision. Bus transportation is often provided. Medical and dental examinations are generally given all school children, who are then requested to seek outside professional services if they are needed. Children too poor to pay practicing doctors and dentists may go to free or minimum-priced clinics. Many public-school systems employ trained nurses to assist school doctors in their physical examination of the children and also to care for minor ills, emergencies and accidents in school.

School lunches are frequently served pupils at cost. Hot soup or milk has sometimes been given to poor and undernourished children. During the depression years, schools also distributed articles of clothing to needy pupils. Social service has become an important department of schools, as well as of hospitals. Attendance officers of the department of compulsory education co-operate with probation officers of the juvenile courts to check, if possible, the criminal careers of youthful lawbreakers.

17. Home and School Movement. Another educational development of social importance is the "Home and School" movement. It seeks not only to bring the parents of the children into closer touch with the school, but also to acquaint the teacher with the social background of the pupils. The aim is one of co-operation, instead of conflict, between the school and the family—two important educational institutions.

18. Community Uses of School Buildings. In some communities, the schoolhouse has become a social center. Here the people of the community gather to listen to lectures on present-day topics, or to enjoy a musical recital or a dramatic production. While community singing is not so popular today as it was in colonial times, it still meets with enthusiastic response from simple, music-loving immigrants from Europe. Athletic contests, classes in gymnastics and dancing have been held in these school centers. In some sections, where the community spirit is strong, social gatherings and educational amusements have been planned. Since the school plant is public property, there are few good reasons why it should not be used frequently for community functions.

19. Outside Educational Institutions. (*a*) *Public Libraries.* In addition to the public school, there are numerous other institutions of an educational character. Foremost among these is the public library. In this form of philanthropy, Andrew Carnegie took the lead; he devoted a large part of his fortune to the building of free libraries. Here the leading periodicals are on file and books of fiction and information may be read. Most libraries now have circulation departments, which permit books to be taken home for a limited period. Some libraries circulate reading matter of various sorts by mail or by truck.

(*b*) *Newspapers and Periodicals.* The newspaper has been a great means of popularizing education by spreading information on all current topics. The sensational journal, however, is more injurious than valuable, for stories of scandal and details of crime exert a harmful influence on the public mind, especially on that of youth.

(*c*) *Museums and Art Galleries.* Museums are devoted to either the arts, including fine arts and practical arts, or to the sciences, including physical and social sciences. Here are exhibited not only works of art, but also scenes and products from distant places. Industrial exhibits show stages in the production of various commodities; and relics from past cultures or reproductions of living things bring them to life again in the mind of the observer. Most museums and art galleries have been established by public-spirited citizens, but some progressive communities have made such expenditures from public funds.

(*d*) *Zoological Gardens, Aquariums, and Botanical Gardens.* Zoological gardens and city aquariums must also be mentioned as educational institutions. They exhibit specimens of animal life on land and in water, which are interesting and instructive to the general public. Botanical gardens similarly contain various species of flowers, shrubs, trees, and other forms of plant life. Such gardens make beautiful recreation spots, as well as educational centers.

(*e*) *Astronomical Observatories and Planetariums.* An astronomical observatory contains telescopes and powerful cameras, which enable students to watch and to picture the heavenly bodies. A planetarium is equipped with an elaborate and ingenious mechanism to portray the position of the stars and the movements of the planets. By private philanthropy or public expenditure, astronomical observatories have been established outside large cities and planetariums inside some of them.

Summary. Since the sum total of human knowledge is constantly increasing, each age must decide for itself what knowledge is of most worth. Educational readjustment is one indication of intelligent progress.

An evidence of educational readjustment is the growing content of the curriculum. The modern development of the natural and social sciences has been stressed. Improvements in methods of teaching and in school administration are keeping pace with the expansion of the curriculum.

The tremendous commercial and industrial development of the past century has also reflected itself in educational readjustment. Economic society now feels the need of efficient and versatile workers. The present generation, therefore, asks for that type of education which will best prepare it for the practical duties of everyday life. The sociological trend in education, which followed the scientific movement, has expressed itself in vocational education.

Important factors in modern educational readjustment have been the rise of nationalism and the spread of democracy. Their results were the public-school systems of the leading countries of the world. The separation of church from state was accompanied by the secularization of education and the divorce of the school from the church.

Education for all and education to meet the needs of each are modern ideals. Education is a cause of social progress and a result of social progress. Education is likewise both a cause and a result of democracy. Free citizens demand freedom in education. On the other hand a liberal education sets people free—free from superstition and prejudice, free from individual dictatorship or mob rule.

Word Study: Adolescent; pedagogue, patrician; serf, vassal, chivalry; journeyman, apprentice; artist, artisan; dictator, benevolent despot; curriculum; speculation, philosophy; art, science; sociology, theology, biology; philanthropy; planetarium, aquarium; sectarian, secular; static, dynamic; intelligence, knowledge; education, instruction; conventional, creative; formalism, individualism, liberalism; rudiments, rudimentary.

Questions on the Text

1. Explain the social significance of education.
2. Show how education reflects the civilization of a group.
3. Briefly describe education among primitive peoples, stressing aims, methods, and results.
4. (*a*) Compare Athenian and Spartan education.
   (*b*) Compare Roman and Greek education.
5. What were some of the educational changes involved in the transition from medieval to modern times?
6. Explain the origins of free public schools in America.
7. Show how the curriculum has broadened in modern times.
8. Explain how the scientific movement in education has influenced both the content and the method of instruction.
9. What are some of the chief types of vocational education? Describe each briefly.
10. What are some important social services now being rendered by the modern school?
11. Why is student self-government important? What can you do to help?

Application and Interpretation

1. Has your school student self-government? If so, explain how it works.
2. Show how education is a force for social progress and also an influence for social control.
3. What was the purpose of initiation ceremonies among primitive peoples? Were there any corresponding ceremonies in any types of medieval education? Are there any modern counterparts?
4. Contrast conservative and progressive types of education.
5. Contrast education for individual development with that for service to the state. Can these ideals be reconciled? Is there an acceptable middle ground? Explain your position. Illustrate.
6. Explain the medieval apprenticeship system of education. Show how it has continued down into modern times.
7. What is the vocational movement in education? Contrast

with the old ideal of a liberal education. Outline various aspects of vocational education.

8. Why do you think the school should provide or should not provide:

(*a*) Physical and dental examination of all children?
(*b*) Free lunches to poor children?
(*c*) Recreational facilities to the entire neighborhood?
(*d*) Assembly hall and club rooms for the community?
(*e*) Student self-government?

Suggested Activities

I. Prepare talks on the following subjects:

1. Student self-government in your school.
2. Education of a medieval knight.
3. Education under medieval guilds.
4. Monasteries as educational centers.
5. Educational value of the moving picture.
6. Importance of education for leisure.

II. Look up and report in class on the following great educators:

1. Socrates.
2. Aristotle.
3. Abélard.
4. Rousseau.
5. Froebel.
6. Horace Mann.
7. Herbert Spencer.
8. Thomas Huxley.
9. Mark Hopkins.
10. Charles Eliot.

III. Have a committee investigate your own community and report to the class on:

1. Opportunities for adult education.
2. Opportunities for vocational education.
3. Education for defective classes.
4. Educational opportunities for those who cannot go to college.
5. Educational agencies other than schools, such as libraries, museums, art associations, and zoological gardens.

IV. Draw cartoons illustrating:

1. Important aims of education in a democracy.
2. Educational value of recreation.
3. Co-operation between the school and the family.
4. Educational value of the radio.

V. Prepare debates on the following subjects:

1. *Resolved:* That boys and girls should be compelled to attend

school until they are eighteen years of age or have completed a high-school course.

2. *Resolved:* That there is a need in the United States today for the creation of a Federal Department of Education.

Collateral Readings

Brainard and Zeleny—*Problems of Our Times;* Vol. I, Chap. XVII, "Crisis in Education"; Vol. II, Chap. XXII, "An Educational New Deal."

Ellwood—*Social Problems—A Sociology;* Chap. XVI, "Education and Social Progress."

Gavian, Gray, Groves—*Our Changing Social Order;* Chap. XXVI, "Education."

Greenan and Meredith—*Everyday Problems of American Democracy;* Chap. VIII, "Education."

Hilton—*Problems and Values of Today;* Vol. II, Unit II, "The Place and Importance of Education."

Johnsen—*Federal Aid to Education.*

Kinneman, Browne, Ellwood—*The American Citizen;* Chap. XIII, "Education."

Lumley and Bode—*Ourselves and the World;* Chap. XVII, "The School."

Magruder—*American Government;* Chap. XXVIII, "Public Education."

Quinn—*The Social World and Its Institutions;* Chap. XXVIII, "Educational Institutions."

Advanced Readings

Beach and Walker—*American Social Problems;* Chap. XVI, "The Role of Education."

Beard—*A Century of Progress;* Chap. XIII, "Education."

Caswell and Campbell—*Curriculum Development.*

Cubberley—*Public Education in the United States.*

Dewey—*Democracy and Education.*

Fisher—*Why Stop Learning?*

Kilpatrick—*The Educational Frontier.*

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Lynd and Lynd—*Middletown in Transition;* Chap. VI, "Training the Young."

Martin—*The Meaning of a Liberal Education.*

Monroe—*History of Education.*

Patterson, Choate, and Brunner—*The School in American Society.*

President Hoover's Committee—*Recent Social Trends;* Vol. I, Chap. VII, "Education."

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References

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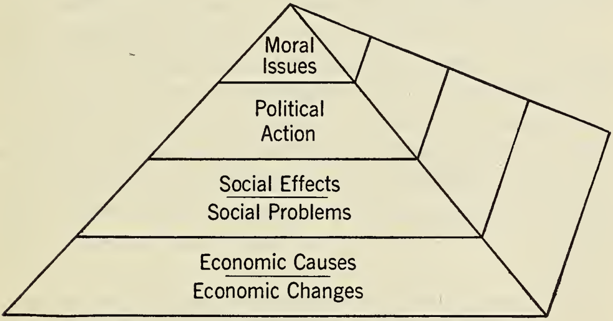
Various State Departments of Education—*Reports.*

PART FOUR

POLITICAL ASPECTS OF MODERN CIVILIZATION

Chapter XXIX. National and State Governments
Chapter XXX. American Cities
Chapter XXXI. Public Finance or Meeting the Increased Costs of Government
Chapter XXXII. Political Parties, Public Opinion, and Propaganda
Chapter XXXIII. Political Ideals and Problems at Home and Abroad


Moral Issues
Political Action
Social Effects
Social Problems
Economic Causes
Economic Changes

Elements of Problems in American Democracy

PREVIEW TO PART FOUR

POLITICAL ASPECTS OF MODERN CIVILIZATION

The best of all governments is that which teaches us to govern ourselves. Goethe.

The proper function of a government is to make it easy for the people to do good and difficult for them to do evil. Gladstone.

Economic problems have social consequences, which, in turn, may require political action for social improvement. Therein lies our general plan for the study of *Problems in American Democracy.* Part Two was devoted to economic aspects of modern civilization, and Part Three to its social aspects. Part Four, the concluding part of this text, treats the political aspects of modern civilization.

It will be remembered that the development of the state as a social institution was outlined in Chapter III of Part One, which was introductory in character. Again, many functions of government were treated in Part Two in connection with the governmental regulation of business. Similarly, many activities of the state as an agency of social control and social progress were treated incidentally in Part Three, which you have just completed.

Part Four, therefore, will confine itself to a review of some essential features of our national and state governments; to a consideration of the problem of the modern city; to a discussion of the increased costs of government; to an examination of political parties, propaganda, and public opinion; and, finally, to a summary of certain great international issues and world problems.

CHAPTER XXIX

NATIONAL AND STATE GOVERNMENTS

Objectives:

(1) To examine the nature of constitutional government and to point out basic features of our national and state governments.
(2) To show the process by which public opinion becomes legislation.
(3) To stress the duties of citizenship.

A. Constitutional Government

1. Meaning and Importance of Government. Government may be described as the agency through which the group or social mind expresses itself. It is the machinery which the state establishes for the purpose of regulating group affairs.

One of the most significant developments of modern times has been the rapid expansion of governmental functions. Much of this increased political activity has been due to the strenuous efforts being made to solve the economic and social problems which are afflicting mankind today. Such evils as crime, poverty, ill-health, juvenile delinquency, and poor housing are no longer considered matters of private concern solely, but of social interest as well. A study of government, its structure and functions, therefore, is important.

2. Unwritten and Written Constitutions. Not all nations have written constitutions. Although a written constitution generally marks a milestone along the road of political progress, Great Britain is an illustration of an enlightened democracy with an unwritten constitution.

The British Parliament may repeal an act and pass another in its place, which then becomes the law of the land. Although this new law may seem to conflict with individual rights, there can never be a question of its constitutionality.

The United States, however, is a constitutional democracy, whose constitution is a written document and not merely unwritten custom. The Supreme Court is the final authority to decide whether or not a new law is a violation of the Federal Constitution. If so, it is null and void. Popular opinion, however, may sometimes be strong enough to amend any written constitution. Each state in the American Union likewise has its own state constitution and this additional problem of the constitutionality of a state law.

3. Amending Our Constitution. Although there are four possible methods of amending the Federal Constitution, it has been amended by securing a two-thirds vote in both houses of Congress and by the later ratification of three fourths of the individual states. This is a tedious process and only a score of amendments have been ratified since the adoption of the Federal Constitution. Many economic and social reforms have been delayed because of the barrier of the unconstitutionality of a proposed law. On the other hand, this method of amendment has prevented a hasty expression of public opinion in the fundamental law of the land.

4. Constitutional Guarantees. In order to secure the adoption of the Constitution and to gain the good will of those who were fearful of strong government, the first ten amendments were added. These safeguards have been termed the American Bill of Rights. They include, among other things, such fundamental guarantees as religious freedom, jury trial, freedom of speech and the press, and the protection of person and property. Most state constitutions, likewise, have similar safeguards for the liberty and protection of their own citizens.

5. Other Features of the Federal Constitution. The Federal Constitution guarantees to each state a republican form of government and protection against invasion. It further prescribes that full faith and credit shall exist mutually among the several states, and that citizens of one state shall be entitled to all the rights and privileges of citizens of another state.

B. Our Frame of Government

6. Centralization and Decentralization. The new American Government was a federal republic. English traditions of monarchy failed to take root in the western world. A centralized form of government was out of the question. A strong federation of states, instead of a loose confederation, was a great political triumph in the critical period of our early national existence.

The present French Republic, by way of contrast, is a highly centralized republic, and the departments into which the nation is divided are merely administrative units of its national government. On the other hand, Switzerland, and the various self-governing colonies of Great Britain are federal governments.

7. Separation of Powers. In the United States, the powers of the Federal Government are specified in the Constitution. Residual powers, that is, those not mentioned, are reserved to the individual states. Some powers given to the Federal Government seem to conflict with other similar ones reserved to the states. Such overlapping may cause some confusion, but the supremacy of federal laws and treaties is specifically stated in the Constitution itself.

8. Political Units. There are three political units within the United States: the National Government, the individual state government, and finally the local government.

Local government likewise has three main units: county, township, and city. In New England, the township is still the chief unit of local government; here the town meeting and the town officers are very important. In the South, the county is the chief unit of local government, and county offices are, therefore, relatively more important. The Middle Atlantic and Western States show every variety of compromise between the township and the county system of local government. Cities will be treated in the following chapter.

9. **Concentration of Power.** Just as it is often difficult to draw a sharp line between the functions of the national and the state governments, so it is sometimes hard to separate the work of the state government from that of the various units of local government within the state. Not only is there overlapping of authority, but also a gradual centralization of control. This may be regarded as an adjustment of the political machinery to meet the new needs of changing economic and social conditions, as well as to escape the old problem of overlapping authority of different governmental units.

The state government is taking over wholly, or in part, many duties that were formerly left to the local communities. Illustrations of this growing concentration of state authority are found in matters of health, education, charities, and roads. In the same way, there has been a shifting of function from the states to the National Government. It may be illustrated by the passage of the Federal Social Security Act and the Federal Minimum Wage and Maximum Hour Law. The federal regulation of commerce and, to a certain extent, of industry is a similar story of gradual concentration of federal power.

10. National Powers and Problems. Among the distinctively national problems is that of defense. It involves the maintenance of an army and navy. The declaring of war and the making of peace and other treaties are definitely national functions. Control over immigration and naturalization is national. Admission to citizenship is a federal matter, but the granting of suffrage is a state matter except as limited by amendments to the Federal Constitution. Special federal courts of justice are maintained.

Under the clause in the Constitution giving Congress control over interstate commerce, our National Government is wrestling with an ever-increasing number of economic problems. Moreover, it lays and collects the tariff and excise duties. The federal income tax has come as the result of a special constitutional amendment. The Federal Government alone can coin money and issue paper currency. Here we are face to face with the national banking system. The National Government alone grants patents and copyrights. Finally, the post office is a federal monopoly. The powers granted to the National Government through the Constitution by sparsely settled agricultural communities have been stretched to meet the needs of a great modern industrial nation.

11. State Powers and Problems. The individual citizen formerly had more points of contact with his state than with the National Government. Until the imposition of a federal income tax, the National Government never taxed him directly, as did the state government through the general property tax. Laws of marriage and divorce are made by the individual commonwealths or states. Similarly, health and education are state functions. The county courts of the individual states handle the great mass of lawsuits, and the punishment of crime is generally within their jurisdiction.

Until the passage of recent federal laws, the great mass of economic legislation in the field of labor problems, working conditions, child labor, and social insurance was within the province of the individual states. Despite the constitutional authority of the Federal Government over interstate commerce, individual states regulate labor and industry within their own borders.

Our study of the complex problems of citizenship is made even more difficult by the fact that the laws on a particular subject are so different in the various states. Although this fact results in lack of uniformity, it permits individual states to experiment with various remedies for social maladjustments. Thus, Kansas, Wisconsin, and other western states have been interesting and valuable laboratories for the student of civic problems.

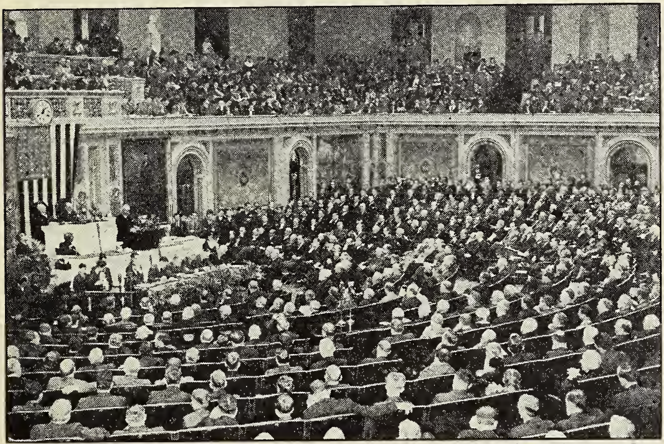
C. Separation of Powers

12. Triple Division. Not only is there a triple division of function among the national, state, and local governments, but there is also a triple division of powers within each of these three units of government. These are the legislative, the executive, and the judicial branches of government, be that government national, state, or local.

(*a*) *Legislative.* The Constitution of the United States, in carrying out this division, places the lawmaking power in the hands of Congress. After considerable discussion a bicameral or two-chambered house was accepted as more desirable than a unicameral body—one consisting of a single chamber. The bicameral model was followed in the state constitutions and, unfortunately, in many city charters.

A national compromise was reached between the large and the small states in determining the membership of these two houses. Congressmen in the House of Representatives were to be apportioned among the states according to population, but in the Senate each state was to have two Senators irrespective of its size or population.

(*b*) *Executive.* The National Constitution, unlike the Articles of Confederation, provided for a President as the chief executive. It was his duty to see that the laws of Congress were enforced. He possessed a veto, but Congress could pass a law over this veto by a two-thirds majority. Similarly, the state constitutions provided for an executive in the form of a governor. Colonial experience with British Governors made the Founding Fathers very jealous of the powers of the executive. Early state constitutions, therefore, granted only limited powers to governors. As time went on the powers of the executive gradually gained in both state and national governments.



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President Roosevelt Addressing Congress

The earlier method of electing a President was soon changed by constitutional amendment. Instead of the second highest candidate becoming vice-president, the development of political parties made it advisable for a presidential and a vice-presidential candidate to run on each ticket.

The framers of the Constitution devised a system of electoral colleges to prevent the direct election of a President by the people. Today, the work of the presidential electors is purely formal; that is, the electors vote as they are instructed by the people at the polls and not according to their individual choices. Under this system it is possible for a candidate to have a plurality of the electoral votes without having a majority, or even a plurality, of the popular votes, because all the electoral votes of a particular state must be cast the same way, the way the state went at the polls.

(*c*) *Judicial.* The Constitution of the United States further provided that the judicial power should be vested in one Supreme Court and in as many inferior courts as Congress should from time to time establish. Federal judges are appointed for life by the President with the approval of the Senate. The function of the judiciary is to interpret the laws by means of what we call test cases. The Supreme Court finally passes on the constitutionality of a questionable law. There is a similar state judiciary in each state to perform similar functions for that state.

13. Checks and Balances. The legislative, executive, and judicial functions of government were placed in three supposedly distinct departments. This separation of powers was to be reinforced by a system of checks and balances. The aim was to prevent one branch of the government from encroaching upon another and from becoming so powerful as to threaten individual liberty and the preservation of democratic institutions.

For example, although the President has a veto on the laws of Congress, that body has the right to impeach him. By their appointing power the President and the Senate can control the personnel of the Supreme Court, but the latter has the power of passing on the constitutionality of the laws made by Congress.

By the device of checks and balances it was hoped that the mistaken policies, or undemocratic tendencies, of one department could be curbed by the other two departments. It has, however, just as frequently tended to confuse responsibility and to make for political deadlocks. Out of this situation has grown the political party, which has assumed the responsibility for enacting legislation.

14. Dual Division. Some critics of our American Government would substitute for the threefold division of governmental functions a twofold division. This plan would differentiate only between the legislative and the administrative functions of government. The political function is that of making the laws and determining general policies; it should be exercised through elected representatives, the spokesmen of public opinion. The administrative function implies the carrying out of these laws in the most efficient manner and should be exercised by a group of expert officials chosen mainly through Civil-Service examinations. This twofold division of governmental powers includes the judicial function under the administrative function. It is more applicable to a government without a written constitution than to a government with a written constitution, in which the courts are more important and independent.

15. American and British Cabinets. The British system of government has no sharp separation of powers; its Cabinet combines both executive and legislative functions. British courts are merely divisions of the executive department, for, as we have seen, there is no question regarding the constitutionality of an act of Parliament.

The American Cabinet is a very different institution from the British Cabinet. The American Cabinet members are only administrative officers, the heads of their departments, and the advisers of the President. The British Cabinet members are in charge of administrative departments, but they are also members of Parliament, possessing legislative as well as executive functions.

The British Prime Minister and his Cabinet are known as ''the government''; they formulate the imperial political policy. The ministry continues in power as long as it can command a majority vote in Parliament. If defeated on an important issue, the Cabinet resigns. A new Prime Minister forms a new Cabinet from the party in power in Parliament. If the defeated ministry feels that Parliament does not represent correctly the public opinion of the nation, it may appeal to the country for a new election. Thus, a parliamentary election can be held at any time on any important issue; and cabinet ministries are short- or long-lived according to the degree in which they continue to express public opinion. In the United States, on the other hand, presidential elections are held regularly every four years and congressional elections every two years. It has been objected that our method is less apt to secure an immediate expression of public opinion on a definite political issue than is the British method.

The English parliamentary system is the result of a long political evolution, representing a succession of social adjustments. It has become the model for the British self-governing colonies and has also influenced the constitutional development of continental Europe. Some Latin American republics have followed the model of the American system, while others have followed the British system; still others have attempted to combine certain features of each plan and to adapt them to their own needs.

D. Legislative Procedure

16. Law Expresses Public Opinion. The voice of the people theoretically expresses itself through their elected representatives. In voting *yea* or *nay* on a proposed bill the legislator is expected to express the desires of his constituents. His voting record is generally made public in re-election campaigns.

The legislative process by which bills become laws is important to the student of social problems. The method of procedure of the National Congress is fairly typical of that followed by the individual states.

17. Organization of Congress. The committee organization is a fundamental principle of our legislative policy. There are various committees in both houses, such as the Committee on Rules and that on the Eligibility of Members. Among the most important committees are the Committee on Finance in the Senate, and the Ways and Means Committee in the House of Representatives, where bills for raising revenue must originate.

The Vice-President of the United States presides over the Senate, but the Speaker of the House of Representatives is elected by its members. This model has been followed in many of the states. Because he has largely lost his former power of appointing committees the Speaker of the House of Representatives is not such an important figure today as he was formerly. Both the two major parties have their floor leaders, who are important persons in the legislative assemblies. They attempt to control the maneuvers of their respective party members.

18. Course of a Bill. Every legislative session is flooded with bills, many of which never get beyond the "pickling" committees; that is, the appropriate committees to which all bills are referred for study and subsequent report to the legislative chamber as a whole. Successful bills are generally those of the administration in power and have the support of the party leaders before they are introduced. A bill may be introduced by any member of the legislature, after which it is numbered, duly recorded, and ordered to be printed. After its introduction, a bill is referred to the proper committee which later reports back upon it to the house.

There are three successive readings of a bill, during one of which it is discussed, section by section. The debate is often long and tedious. Many amendments may be added, so that the original character of a bill may be changed greatly. If a bill is finally passed, it is then sent to the other house where a similar course is followed. Here it may be rejected or sent back to the first house with a new set of amendments. For this reason a joint-conference committee for the two houses is sometimes necessary to secure the final passage of a bill. The final step is the securing of the signature of the executive. If a bill is vetoed, it is dead, unless repassed by a two-thirds vote.

Toward the end of a legislative session there is considerable pressure to get bills through, and the result of this hasty legislation is frequently reflected in the inferior character of the laws then passed. ''Riders'' may be added or ''joker'' clauses inserted, which may defeat the original purpose of a bill.

19. Appropriation Bills. Appropriation bills are of a special character. For their discussion the House generally resolves itself into a committee of the whole. Here the fight is often strenuous, because individual members seek to prevent particular appropriations from being cut. On the eve of adjournment, compromises are generally effected; and a flood of appropriation bills may be passed, involving enormous expenditures of money. Too often appropriation bills are considered separately and no attempt is made to balance income and expenditure. To remedy this situation the National Government has introduced a budget system.

E. Functions of Government

20. Continuous Adjustment Necessary. A study of the organization of political machinery is of little value unless it helps to explain the functioning of government. Organized government exists to do things for a co-operative society. The more co-operative the society, the more complex is the governmental machinery. In forms of government, as in forms of life, there is an evolution from the simple to the complex. The functions of government have been constantly increasing as the state has grown from a wandering tribe of shepherds to a commercial and industrial nation. The recognized functions of the state are constantly changing and present a continuous problem of adjustment. Each generation must ask itself again the question: What are the legitimate functions of the state?

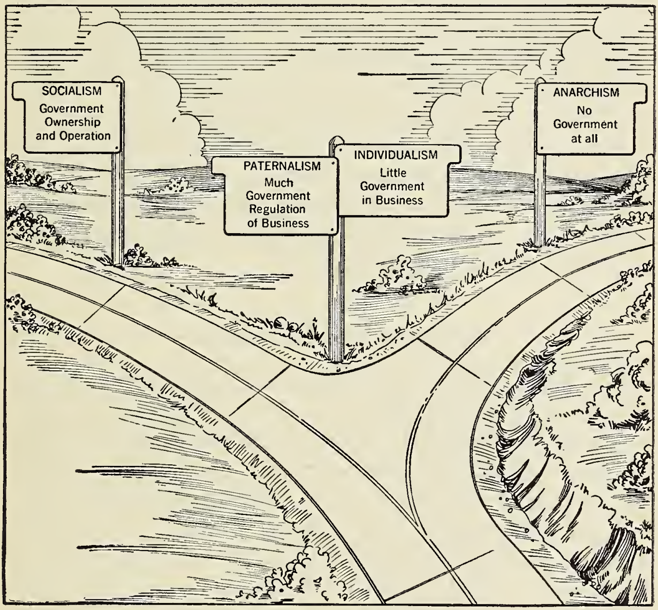
21. Two Opposite Extremes. Although frequently confused, the *anarchist* and the *socialist* have very different answers to this question. The anarchist is dangerous to society because he does not admit the fundamental functions and powers of the state. He would destroy the political organization of society. The socialist, on the other hand, would extend the functions of the state to include the ownership and operation of the basic means of production. Between these two opposite poles are many different shades of opinion as to the legitimate functions of the state.

22. Old Attitude of Laissez Faire. Society is organized politically for the purpose of protection against internal disorder and against foreign invasion. At first the state was loath to assume additional responsibilities. This was the attitude of writers a century ago.

Adam Smith published his *Wealth of Nations* in 1776. That became an important date in economic, as well as in political, history. He protested against the governmental regulations of industry advocated by the older group of economists, known as the *mercantilists*. For example, he favored free trade and asserted that, without governmental interference in industry, society would be guided by an "invisible hand" toward its own best interests. The invisible hand was enlightened self-interest exercised under conditions of full and free competition. This attitude has been called that of *laissez faire* or "let alone." It opposed social legislation and objected to governmental regulation of industry.

23. Period of Transition. After a century of experiment, *laissez faire* or individualism has been tried in the balance and found wanting. The world is now in a period of transition toward another stage of development which we may call that of *social control, political regulation,* or *economic paternalism.* Under the *laissez-faire* or "let alone" system, the women of England toiled for a long industrial day of twelve and fourteen hours, while "the bitter cry of the children" made governmental regulation imperative. In our own day, groups of selfish individuals have exploited for their personal gain the gifts of nature and the talents of men so that an aroused public opinion has demanded political action by the state. Wages and hours bills and price-fixing regulations point to a dawning paternalism.

24. Necessity of Governmental Regulation of Industry. Regulation has become necessary because the life of mankind is a group life; no man is a law unto himself. It is proper for men to exercise the rights of life, liberty, and the pursuit of happiness only when such action does not interfere with the corresponding rights of others. Thus, intemperance is no longer a matter of individual concern but of social regulation, because the families and neighbors of such unfortunates are deprived thereby of their rights to life, liberty, and the pursuit of happiness. The tipsy automobile driver, for example, holds the lives of many others in his unsteady hands. Moreover, intemperate individuals and their families may become dependents or delinquents, to be supported at public expense.


SOCIALISM
Government Ownership and Operation
PATERNALISM
Much Government Regulation of Business
INDIVIDUALISM
Little Government in Business
ANARCHISM
No Government at all

The Parting of the Ways

The frontiersman of yesterday, to take another and final illustration, slaughtered his own cattle and ground his own grain, but today the city consumer serves on his table articles of food prepared in many distant places, by many different hands. Hence pure-food laws become necessary to social welfare. Society has found it necessary thus to protect itself against the extreme individualist, whether he be a food adulterer, a drunkard, or an exploiter of child labor.

25. Co-operation for Social Welfare. Democracy and liberty for all are not assured until every individual in society has done his duty toward other members of his group. The individual and the state are related. Each exists for the benefit of the other, and their interests must harmonize if social welfare is to be attained. The modern idea of co-operation is the opposite of *laissez faire* and of medieval isolation. This ideal of social welfare has been called the twentieth-century spirit of Christianity, for it teaches that, in a sense, each man is his brother's keeper. Voluntary co-operation is the highest form of social control in a democracy.

F. Duties of Citizenship

26. Military Service. When a state can no longer protect its citizens it ceases to exist. When the German tribes began to roam at will through the Roman Empire, the days of Italian supremacy were numbered. Feudalism succeeded the *pax Romana,* which had given protection for centuries to the civilized world. In the same manner, American citizenship should carry protection to our citizens. Such security has its price, and the citizen therefore owes allegiance to the state. In a great national crisis, this takes the form of military service.

27. Payment of Taxes. Less dramatic is the duty of the citizen to pay taxes. In earlier times, these obligations took the form of personal services. Thus the vassal fought for his lord and the serf worked in his field. Gradually these services took the form of money payments. *Scutage,* for example, was a shield tax in place of military service. With the growth in governmental functions there has been a corresponding increase in taxation. The wars of civilization are far more destructive and costly than those of more primitive peoples. Again, the recent war against poverty has resulted in the expenditure of additional billions for relief. It costs money to save lives at home as well as to take lives abroad.

28. Civic Interest. Finally, it is the duty of every citizen to take an active and intelligent interest in his government, national, state, and local. There are many indifferent voters who do not go to the polls. Instead, they merely criticize destructively, from easy chairs at home, the men and parties in power. There is need for the citizen in action, in peace as well as in war. Government is a human product and no better or worse than the men and women who operate it. Democracy may be inefficient and at times corrupt, but the only cure for the ills of democracy is more and better democracy.

The Greeks had an exalted sense of civic responsibility toward their city-states. The Romans had a noble patriotism and a political genius for dealing with the problems of empire. The Anglo-Saxons, however, added the development of representative government, which the democracies of antiquity never evolved. But representative government can succeed only with an active and informed citizenry working incessantly for the good of the state.

Summary. The United States is a federal government with a written constitution. The National Government possesses only those powers specified in the Constitution; the individual states retain all residual or nonspecified powers. In both federal and state governments there is a threefold division of functions among the legislative, the executive, and the judicial branches of the government. The Constitution provides for an intricate system of checks and balances among these three divisions of government.

Great Britain, by way of contrast, has a centralized form of government without a written constitution. Whereas members of the American Cabinet are merely administrative officials, responsible solely to the President, ministers in the British Cabinet are selected from sitting members of Parliament. Defeat of the government ministry; that is, those in office, means the resignation of the Prime Minister and members of his cabinet, or possibly a general election, if the issue is a very important one.

Law is a written expression of public opinion. However, the process by which a bill becomes a law follows a long and an uncertain route. A bill may be sent to the proper committee only to be "pickled," in which case it does not receive a second reading. Even after its passage by both houses of the legislature, a bill may be vetoed by the chief executive.

There has been a tremendous growth in the functions of government, due chiefly to the increasing need of regulating business and to the increasing number of services rendered its citizens by the modern state. It is a far cry to the theory of *laissez faire* or "let alone" in industry. Most thinkers today do not believe that the government which governs least is necessarily the best government.

There has been a growing concentration of power in the United States, as well as an increase in the functions of government. Old duties of local government, such as health and education, are being taken over, in whole or in part, by the individual states. Similarly and simultaneously, the states are losing power to the Federal Government. Previous chapters explained how federal subsidies were determining state policies and legislation, and how federal expenditures, such as those for relief and public work, were relieving the states of some of their burdens.

Word Study: Ratification; centralization, decentralization; federation, confederation; residual powers; compromise; concentration; uniformity; legislative, executive, judicial; unicameral, bicameral; checks, balances; personnel; constituents; "riders"; anarchism, socialism, paternalism, individualism; majority, plurality; veto, vote; impeach; republic, democracy; citizenship, suffrage, franchise.

Questions on the Text

1. Distinguish between government with a written constitution and that without a written constitution. Illustrate each type.
2. Enumerate some constitutional guarantees contained in the Bill of Rights of the Federal Constitution.
3. Name some centralized and some decentralized or federal governments.
4. Distinguish between specified and residual powers. Which unit of our government possesses each type?
5. Enumerate and locate some of the most important functions and powers of government in the United States.
6. Compare different types of local government in the United States.
7. Explain the triple division of the functions of government in the United States.
8. Explain and illustrate our system of checks and balances.
9. Outline the general procedure by which a bill may become law.
10. What is meant by the veto power? Can a vetoed bill ever become law? If so, how?
11. (*a*) Enumerate some of the chief privileges of citizenship.
    (*b*) Enumerate some of the chief duties of citizenship.

Application and Interpretation

1. What advantages does a government with a written constitution have over a government without one? What disadvantages, if any?
2. Distinguish between pure and representative democracy.
3. How do you account for the increasing functions of government? Do you view this trend with alarm, with satisfaction, or with complacency? Explain your position fully.

4. Distinguish between citizenship and suffrage. To which unit of government does each belong?

5. What are the advantages and the disadvantages of a bicameral legislature or Congress, as compared with a unicameral one?

6. Contrast the attitude of socialists toward government with that of anarchists. Why should these two groups never be confused?

SUGGESTED ACTIVITIES

I. Prepare talks on the following subjects:

1. How modern economic conditions have influenced the expansion of governmental functions.
2. Constitutional Convention of 1787.
3. Democracies *versus* dictatorships.
4. Government Reorganization Plan of 1939.

II. Draw cartoons illustrating:

1. Privileges of citizenship.
2. Duties of citizenship.

III. Have a committee list the amendments to the Federal Constitution. Date each amendment or group of amendments passed at about the same time and toward the same or similar objectives. Write a brief explanation of causes and results in each case. Report to class.

IV. Have a committee examine your state constitution. Has it a Bill of Rights? If so, make a tabular comparison of its guarantees with those contained in the Federal Constitution. Report to class.

V. Have a committee look up and report to class on the following:

1. Qualifications of senators and representatives; by what method and for what terms they are elected.
2. Constitutional qualifications of the President and Vice-President of the United States.
3. Titles and functions of chief committees in Senate and House of Representatives.

VI. Plan a visit to your legislature or the National Congress, when it is in session. If this is not possible or practicable, have an oral report in class by those members of the class who have had this interesting experience.

VII. Prepare a chart outlining and classifying various functions of government. If a particular function of government is exercised by our Federal Government, put a small circle beside it. If exercised by the states, put a square beside it. If exercised by the local government, put a triangle beside it.

VIII. Have a committee study some reorganization plans of the Federal Government, and make a report to class.

COLLATERAL READINGS

CRAWFORD—*Our Government Today.*
FARRAND—*The Fathers of the Constitution.*
GARNER and CAPEN—*Our Government.*
GAVIAN, GRAY, and GROVES—*Our Changing Social Order;* Unit VIII, "The Arena of Politics."
HOUGHTON—*Realities of American Government.*
KINNEMAN, BROWNE, ELLWOOD—*The American Citizen.*
LAPP and WEAVER—*The Citizen and His Government.*
MAGRUDER—*American Government.*
MCFEE—*How Our Government Is Run.*
REED—*Form and Functions of American Government.*
STEINBERG-LAMM—*Our Changing Government.*
YOUNG and WRIGHT—*Unified American Government.*

ADVANCED READINGS

BEARD—*American Government and Politics.*
BECK—*The Constitution of the United States.*
BRYCE—*The American Commonwealth.*
CARPENTER and STAFFORD—*State and Local Government in the United States.*
CRAWFORD—*State Government.*
MACDONALD—*American State Government.*
MUNRO—*The Government of the United States.*
OGG and RAY—*Essentials of American Government.*
PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. II, Chap. XXV, "The Growth of Governmental Functions."
SPINDT and RYAN—*Foundations of American Government.*
YOUNG—*The New American Government and Its Work.*

CHAPTER XXX

AMERICAN CITIES

Objectives:

(1) To show the development of American cities and to examine some factors which have promoted city growth.

(2) To note the forms and functions of city government and to examine some problems of city life.

A. Social and Historical Background

1. Problems of Our Cities. The growth of cities in the United States has given rise to serious social maladjustments with far-reaching consequences. The crowding together of vast hordes of people into small areas has intensified such problems as housing, poverty, disease, crime, and vice. Other municipal evils have been inefficiency in the administration of city affairs, graft, and political abuses of various kinds. Urbanization—the growth of cities—has also complicated the problems of sanitation, traffic, recreation, and the supply of an adequate amount of fresh food and pure water. From the standpoint of citizenship, therefore, the study of urban life in the United States is important. It is through such a study that the individual is able to obtain that viewpoint which will enable him to understand more fully his obligations as a citizen and the need for a more cooperative type of citizenship.

2. Ancient Cities. Ancient history tells us of some famous cities. The proud city of Nineveh was the metropolis of the Assyrian Empire; and Babylon, along whose walls several chariots could run abreast, is said to have had a million inhabitants. Although Athens has set the standard of culture for hundreds of years, it was relatively small in population; it probably had few more than a hundred thousand inhabitants. The imperial city of Rome was larger; in the reign of Nero it probably contained a half million people. The Romans were fond of urban life and their civilization was characterized by many famous towns. These declined during the Middle Ages, when population, then largely rural, lived chiefly on the feudal manors.

3. Medieval Towns. Medieval towns were characterized by narrow, crooked, and unpaved streets. Garbage and refuse were thrown from doors and windows to the discomfort of passing pedestrians. Street cleaning was unknown, although rain occasionally accomplished the desired result.

The houses were gabled with projecting upper stories, which gave a quaint effect. Signs in front of the various shops pictured the wares on sale within, for few prospective customers could read. At night apprentices fastened huge shutters to the fronts of their shops and bolted the doors. Along the dark narrow streets passers-by were frequently attacked by robbers. To keep the peace, a night-watch carrying arms and lanterns was employed. In later times, the night-watch sang the hour and with it, perchance, a bit of Scriptural advice. Chains were fastened across the streets, while the town gate was kept shut from sunset until sunrise.

The romance of time has given color and picturesqueness to the scene, but the towns and cities of the past were unpleasant and, at times, evil places as compared with those of modern days. With no knowledge of sanitation or public hygiene, the death rate was enormous. Fugitive serfs and those drawn thither by the possibility of commercial gain renewed the numbers in the city. Plagues, such as the Black Death, and great fires, like that of London, brought fearful destruction to life and property.

4. Modern European Cities. The development of commerce revived some ancient cities and stimulated the growth of medieval towns. As manorial villages expanded into medieval towns, many of them fought for or bought independence from the lords to whom allegiance had formerly been due. The Renaissance was born in the free city-states of northern Italy, and the Reformation was fostered in the free cities of Germany.

The cities of Europe continued to grow slowly but surely. However, the early capitals of modern nations were insignificant when compared with present-day capitals. As late as 1815, the Congress of Vienna sat within the walled town which had not yet expanded beyond its medieval shell.

The rapid growth of cities has taken place only within the last hundred years, in the period following the Industrial Revolution. Four fifths of London's growth took place during the last century; rapid expansion also took place in Paris, Rome, Berlin, and St. Petersburg (Leningrad). The recent development of Tokio shows that Oriental cities, affected by western civilization, experienced a similar mushroom growth; industrialization was accompanied by urbanization.

5. Growth of American Cities. In 1800, there were only five cities in the United States with a population of over ten thousand. A century later there were six hundred cities of such size; today, there are approximately a thousand such cities. Using the census definition of a city as a community of 2,500 or more people, over half the population of the United States is urban. In 1930, our urban population was 56 per cent and our rural population, including the dwellers in villages and small towns, was only 44 per cent. The change from a civilization almost entirely agricultural in 1790 to one now predominantly urban has created serious problems of democracy.

B. CHARACTER AND CAUSES OF CITY GROWTH

6. Distribution of Urban Population. Our urban population is concentrated largely in the northeastern section of the United States. The states of Massachusetts, New York, Pennsylvania, Ohio, and Illinois contain almost one half of our country's total urban population. The combined New England and Middle Atlantic states likewise contain almost one half of the total urban population. If we include the North Central states, the proportion is about two thirds. This distribution of urban population corresponds roughly to the distribution

McLaughlin Air Service

NEW YORK'S HOUSING PROBLEM

This view of one small section with its rows of apartment houses gives an idea of the density of population in our Eastern cities.

of immigrants and those of foreign parentage. Northeastern states, with few exceptions, constitute our great commercial and industrial centers.

The southern and western sections of our country, except along the Mississippi River system, the Pacific Coast, and the shores of the Great Lakes, are more thinly populated; and their proportion of city dwellers and immigrants is also much lower because of the different nature of the occupations of the people in those regions.

7. **Metropolitan Areas.** (*a*) *Explanation.* The concentration of huge populations in certain sections has led to an expansion of some of our cities over a widely extended territory, called the *metropolitan area.* Some of these areas contain cities within a city. In short, a metropolitan area is a supercity or a combination of cities.

(*b*) *Illustrations.* New York City has a population of about seven millions. The entire metropolitan area about it has a population of approximately eleven millions, or almost one tenth of that of the entire country. Chicago has a population of between three and four millions. The metropolitan area about it contains several million more inhabitants. Cook County, Illinois, has more people than several large but sparsely peopled states. Philadelphia, Boston, Detroit, and Los Angeles are other important metropolitan areas, containing about two million inhabitants each. Many American cities have populations of a million or more if the metropolitan areas about them are included.

(*c*) *Special Problems.* While the growth of these metropolitan areas has been an interesting feature in the development of modern city life, nevertheless, it has presented problems of a complex nature. Graft, political corruption, and inefficiency have often attended the rise of these extended communities. The difficulty of securing adequate political regulation and control has been great. Slum areas have become breeding places for disease, and the problem of crime has become acute.

The automobile has been an important factor in promoting the growth of metropolitan areas. A multitude of city workers travel each day to and from their suburban homes, adding to the complexity of the problems confronting traffic officials. The quick getaway made possible by the automobile has also intensified the problem of crime in our large cities.

8. Economic Factors in Urbanization. Modern cities have grown up around manufacturing centers, for the superior facilities for transportation make an urban location of industry advantageous. Hither are brought raw materials, which are converted into finished products and shipped to distant places. Again, the city furnishes an abundant labor market. Since trade and commerce are as important as manufacturing, cities are also located at points favorable for commerce, for example, where a natural break in transportation occurs along an important trade route.

The famous cities of northern Italy, like Venice and Genoa, occupied a central position in the commerce of medieval Europe. Across the Mediterranean Sea their ships sailed to and from the Orient. From northern Italy the goods were sent through the passes in the Alps Mountains and down the rivers of Germany and France to points in northern and western Europe. When the commercial world shifted its center from the Mediterranean to the Atlantic, these ports lost their strategic position and suffered decline.

Many great American cities are located on navigable waters, as, for example, New York on a bay, Chicago on a lake, and New Orleans on a river. A city favorably situated along an important commercial route becomes naturally the outlet for the products of the neighboring section, as well as the distributing point for incoming goods. Thus Chicago taps the cattle and grain industry of the West, and New Orleans exports much cotton of the South. New York, the largest city in America, is as cosmopolitan in its commerce as in its population.

9. Superior Advantages of Cities. The superior advantages of the city constitute another attractive force. Higher wages and more varied opportunities lure many ambitious country lads to the city where they seek fame and fortune. The city also offers superior educational advantages. Then, too, its varied life contains more opportunities for comfort and amusement; until recently, modern pleasures and conveniences, such as are found in city homes, did not exist on the farm.

10. Exodus from Farm to City. The use of machinery in agriculture has also decreased the proportion of men needed on the farm. The combined harvester and reaper can do the work of many men, and other agricultural inventions have temporarily displaced farm hands. The period of adjustment which the introduction of agricultural machinery necessitated resulted in an exodus from farm to city.

C. CITY BEAUTIFICATION AND CITY PLANNING

11. Dangers of Rapid Growth. So rapid was the development of American cities that the consequences were often unfortunate. Because of the rapidity of urban growth, little provision was made for the future development of commercial, industrial, and residential areas. In the development of many American cities, little system has characterized municipal building operations and much confusion now exists which might otherwise have been avoided. River fronts have been monopolized by manufacturing plants and shipping interests; railroads have followed the line of least resistance, instead of planning their lines and using union terminals to promote civic beauty and to provide convenience for travelers. Unfortunately, individual gain has come before civic beauty and welfare, causing grotesque contrasts in buildings which offend the eye.

12. European Cities. Europe saw the danger of haphazard growth before the United States did; some of its great cities have long striven to protect the health and comfort of their citizens. Half a century ago Paris, in spite of the enormous expense involved in tearing down valuable property, remodeled itself with a magnificent system of boulevards. Most German cities are beautiful and well planned; Vienna is one of the loveliest cities in the world. The water fronts of many European cities, Budapest for example, are a source of beauty, as well as a highway for commerce and industry. Splendid stone bridges, monuments, parks, and drives are to be found. The location of industry is under the direction of the municipality, and a large portion of the water front is preserved for the people.

13. American Cities. Washington, a deliberately created capital, is one of the few American cities that was designed in advance and well planned. Successive administrations have added public buildings, monuments, and parks. Chicago, on the contrary, grew within fifty years from a small village around Fort Dearborn to a huge city. Within recent years, it has constructed, at great expense, a vast system of boulevards and parks along the lake front and through the heart of the city. New York City, likewise, has extended its riverside drives and has replaced slums with parks. The city beautiful is coming into being in the United States as well as in Europe.

14. City Planning. Wise planning of city streets is highly advantageous to urban development. Many American cities have followed the checkerboard plan of William Penn, who is said to have taken his idea from ancient Babylon and applied it to Philadelphia. This scheme is simple and systematic, but it often causes congestion on the few streets that lead into the central business section. A better plan is to map out the city in the form of a wheel. Its business or civic center would correspond to the hub, the main streets to the spokes, and the cross streets to a series of rings.

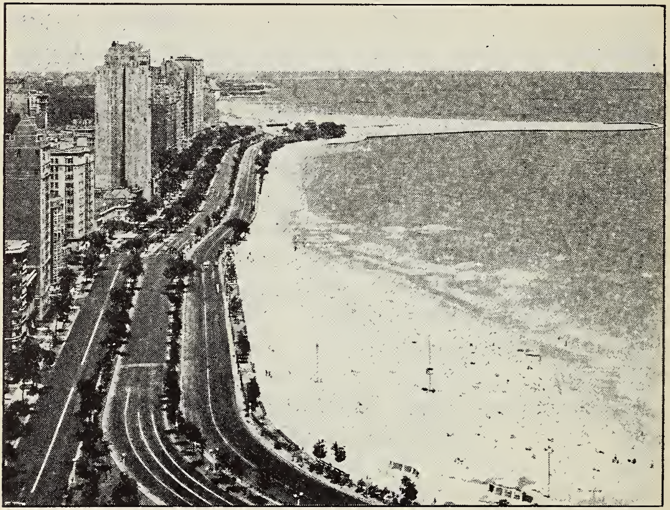


Photo from Hirz-Graf Studios

LAKE SHORE DRIVE, CHICAGO

The construction of buildings should be planned in accordance with principles of architectural beauty and symmetry. Municipal buildings might well be grouped in a civic center, where the wide avenues and broad boulevards converge. Ample provisions should be made for squares, parks, and public places, which serve not only as sources of community pleasure, but also as essential factors in public health.

Suburban homes for workers at low rentals are more needed in modern cities than villas for richer groups. Such a scheme, in connection with a system of cheap and rapid transportation, helps to solve the problem of mass congestion. It has been tried in certain cities of England, where a special commutation rate to workers has enabled them to live in the suburbs of those cities. This plan seeks to prevent, rather than to cure, the problem of urban congestion.

D. Urban Health, Comfort, and Safety

15. Health of City Dwellers. The growth of the modern city bears a vital relation to the problem of public health. In addition to good housing conditions, discussed in Chapter XXVI, many other factors enter into the health and safety of urban populations. Of first importance is the water supply, which should be plentiful and free from contamination. Because of the lack of proper waterworks and adequate filtration plants, many cities have suffered from a poor and contaminated water supply.

Maintenance of public health requires also that the city should be supplied with an adequate system of underdrainage and an effective sewage-disposal plant. Efficient collection and sanitary disposal of garbage, ashes, and rubbish are likewise important factors in the maintenance of public health and civic beauty.

A pure milk supply is second in importance only to a clean water supply. Formerly because of carelessness and ignorance in the preparation of the milk diet, thousands of babies died each year in every great city. Pure-food regulations and cold-storage restrictions are likewise made necessary by the conditions of urban life.

Protection, too, should be afforded against the spread of contagious disease. Houses must be fumigated to kill the germs of tuberculosis, scarlet fever, diphtheria, and smallpox. The health department of a great city holds as many lives in its care as are entrusted to the police and fire departments. Many hospitals maintain free clinics and dispensaries, and some include a special social-service department. Today, the public schools of our great cities employ physicians and nurses to make physical examinations of children and to protect their health.

16. Recreation Facilities. The previous unit explained the vital relationship between recreation facilities and public health; it also stressed wholesome recreation for adults as a powerful antidote to crime.

Urbanization and industrialization were the parents of the slums. The rapidly growing cities of the past generation had no time, space, or inclination for civic beautification or public recreation. Only a few farsighted individuals stood out for parks and playgrounds against factories, tenements and railroads.

Today, however, the American city has come of age; it has fewer growing pains than in its adolescent period; it is seeking to protect its civic inheritance of open spaces and attractive water fronts. Within the past few years, as shown in Chapter XXVI, progressive American cities have done wonders in slum clearance, in city beautification, and in the construction of boulevards, playgrounds, and recreation centers.

17. Social Conditions. The city is a great laboratory for the study of society. Here are intensified the complex social, economic, and political questions of the day. It is not that the city is naturally more wicked than the country, but rather that the fact of greater population accentuates common social problems. In a densely settled metropolis, failure to assimilate and Americanize immigrant colonies creates problems. Again, the crowding together of Caucasians, Negroes, and Mongolians often results in considerable race friction and disorder among the ignorant classes of each race.

Poverty and pauperism are more common in the city than in the country, for many unfortunates drift in from the surrounding rural districts. During the winter, urban institutions support the migratory group which leaves with the coming of spring. Many people who receive relief formerly lived in the country and came to the city with no visible means of support. It has been estimated that a third of the population of some cities lived below the poverty line, and in many of them as high as one tenth of the residents required private charity or received public relief.

The city's record of crime is likewise unenviable and often greater than that of the country. Vice also seems associated with city life. Illiteracy, however, is not so great in the city as in the country.

E. Municipal Government

18. City Charters. The city or borough is a legal unit created by the state in which it is located. It is a municipal corporation which has been given a charter by the state legislature. The charter contains the organization of the city government and numerous provisions specifying what the city may do and what it may not do. Municipal borrowing power, for example, has legal limitations imposed by the charter.

19. Home Rule for Cities. Some cities in the United States contain a greater population than certain states. Nevertheless, their citizens are not free to choose for themselves in many matters of local government. They are dependent on the state legislature, which is made up of representatives of all parts of the state. This situation has aroused the cry of "Home rule for cities!" It must be remembered, however, that many municipal functions are of vital interest to others who do not live inside the city. Municipal water supply and disposal of sewage are matters of concern to those who live outside the city limits.

20. Overlapping Political Units. Another problem is the occasional confusion of city and county lines. Sometimes the city has grown so enormously that it has practically the same boundaries as the county; nevertheless the two sets of offices may have continued. In England, when a borough reaches a certain population, it is then known as a county-borough and becomes a separate political unit. In the United States, it is possible for a small community to separate itself legally from the township but not from the county in which it is located. It then becomes a chartered corporation and a unit of local government independent of the township. Such municipal corporations are known variously as towns or boroughs.

21. Organization of City Government. Early town government in America was modeled after that of England. Not only was the mayor elected by the members of the council, but also vacancies in that body were often similarly filled. Hence the organization was that of a closed corporation. Gradually, the citizens of the towns came to elect the mayor as well as the members of the council.

City charters often provided municipal government similar to that of the state and nation, with two chambers or councils. The select council generally had a smaller membership than the common council, and its members were called aldermen. A later tendency has been toward a one-chambered council. With a smaller number of members, it is possible to pay higher salaries and to raise the personnel of the membership. The large two-chambered body was unwieldy and diffused responsibility.

As a rule, members of the city council are elected from municipal districts called wards. Many objections have been raised to this application of the principle of geographical representation to cities. It is held that the needs of different parts of a city are not sufficiently divergent to justify separate representation, and that the best men of the whole city should be chosen irrespective of their local residences.

22. Political Control and Contractor Rule of Cities. A generation ago, Viscount Bryce regarded the city as the great failure of American Democracy. It was here that the evils of bossism were most glaring. Political leaders, in return for patronage and political favors, were able to control the vote of the majority. The city was divided into wards and wards into small divisions, each under the control of a division leader, who was generally some officeholder, responsible for "getting out" the vote on election day.

Municipal administrative departments were frequently inefficient, and the wheels of justice were often clogged. Municipal finances were poorly managed and great debts incurred. There was a notorious waste of public funds. For example when Tweed was boss of New York, a courthouse was designed to cost two hundred and fifty thousand dollars; seven years later it was found that eight millions had been spent and that the building had not yet been completed. Another investigation revealed the fact that the police department was paying twenty-one cents a pound for nails, which any citizen could purchase for five cents a pound. Cheap five-cent coat hooks were being put up at a cost of over two dollars apiece. Similar practices in other cities of awarding municipal contracts to political favorites have given rise to the expression, "contractor rule."

23. Commission Form of Government. A new type of municipal government came into existence with the Galveston flood of 1901. The city had been rather extravagantly administered under the mayor-council type of government. Deficits had been met repeatedly by borrowing. The flood caused great loss of life and property, and the municipality seemed incapable of meeting the catastrophe and of restoring public credit and confidence. The state legislature therefore granted Galveston a new charter, which provided for a commission form of government. The entire control over its government was placed in the hands of five commissioners who held both executive and legislative power. They not only passed ordinances for the city, but also directed its administrative departments. The success of the Galveston plan resulted in its adoption by many other cities. For the most part, however, the cities which adopted the commission form of government were small or medium-sized cities. Des Moines copied the general plan, but added the initiative and referendum to provide for the possibility of direct legislation in its municipal government.

In many forms of commission government, each commissioner directs the work of some one department of the city government. The presiding officer is frequently in charge of finances. Although the commissioners are elected by the people of the city, the mayor is generally chosen later from among his fellow commissioners, who then proceed to divide the work of the various departments among themselves. Such a plan attempts to give the city a business administration. It is a device by which responsibility is fixed in the hands of a few people who are known to the community and whose work can be watched.

24. **City-Manager Plan.** An amendment added to the constitution of Ohio in 1912 permitted cities to draft their own constitutions; the city of Dayton chose the city-manager plan of municipal government. Here, as in Galveston, a flood was partially responsible for the change. The Dayton charter will serve as an illustration of the

city-manager plan. In this form of government there is a commission consisting of five members, elected for four years from the city at large. They pass ordinances, fix the tax rate, approve appropriations, and elect a city manager to run the administrative departments.

The city-manager plan is an adaptation of the commission form of municipal government. Here the commissioners do not attempt to administer directly any of the departments of the city government. They merely determine the general policies to be followed and leave the actual administration to some professional expert whom they have chosen. In this respect, there is a resemblance to the directors of a corporation and the salaried superintendent of their industrial plant. The city manager generally has the power to appoint the administrative officers under him and, in this way, can be held responsible for the efficiency of the various departments. The city manager is an employee of the city commissioners, who can dismiss him when dissatisfied with his municipal administration.

F. Municipal Activities

25. Primary Functions of City Government. No matter what form the city government takes, there are certain fundamental departments for which provision must be made. In the first place, the municipality must protect the lives and property of its citizens; consequently there is the department of public safety with its police and fire bureaus. The development of a uniformed police force, organized on a military basis, was a gradual evolution from the earlier days of night watchmen and constables. So, too, our present-day fire engines are great improvements over the hand-pulled and hand-operated machines of the earlier days of volunteer fire companies.

Other municipal departments are those of transportation and public works. Bridges and highways must be built and kept in repair. The city is also responsible for the construction of sewers and the disposal of sewage. The city should, therefore, maintain its own pipe lines and sewage-disposal plant. Cleaning the streets and collecting refuse are likewise legitimate functions of the city. Some municipalities have awarded this work to private contractors, but the practice is disappearing. Other important city departments are those of health, charities, and education.

To pay for all these municipal activities great sums of money must be raised. The tax on real estate is the chief source of revenue for the local government. Appropriations for some of our large cities are even greater than those of many states; hence, there is the necessity for an adequate budget system and approved methods of accounting.

26. Public Utilities in Cities. Besides these clearly recognized municipal functions which the city cannot escape, there are other activities of a semipublic nature. These include the furnishing of water, gas, electricity, and means of transportation and communication.

(*a*) *General Features.* Although frequently performed by private corporations, the nature of the service here rendered is so essential to the community that some sort of governmental regulation is absolutely necessary. For this reason, the term "public utility" is applied to this group of industries. If the commodity or service were not essential, the public could cease its consumption. When there is no possibility of substitution, however, "Mr. Common People" must accept the service rendered and pay the price demanded.

Besides these social and political characteristics, there is an economic aspect of the problem. Public utilities are natural monopolies; that is, their very nature makes competition impracticable. As explained in Chapter V, it would be costly and inconvenient to build parallel trolley lines or to install the numerous water pipes required by several different companies on the same streets. Competing telephone companies in the same city not only make necessary a duplication of poles, wires, and exchange stations, but also force individuals to subscribe to both companies in order to secure complete service. Where it has been tried, competition between public-service corporations has proved disastrous. Companies have finally been forced to combine and to raise their rates in order, not only to recompense themselves for the cheap rates charged during the period of competition, but also to pay for the unwise duplication of equipment. For these reasons public-service commissions have frequently refused to grant a franchise to a new public-service corporation when another similar company was operating in the same district.

(*b*) *Water Supply.* The importance of a pure and adequate water supply to the community makes this service an essential public utility. With the growth of cities, it has become increasingly difficult to find a source of water which is both adequate in supply and free from impurities. Rivers are regarded with suspicion because other cities farther up those streams may have used the water for sewage disposal.

The city of Los Angeles brings its water through huge conduits down the mountains and across the desert. Incidentally, this also furnishes a source of hydroelectricity. New York City likewise has been forced to seek its source of water in the mountains upstate and to bring it hundreds of miles under controlled conditions down to the great city at the mouth of the Hudson River. Other cities dependent on rivers have built great filtration plants and costly pumping stations. Bacteriological tests are generally made and the water is chemically treated if necessary.

Because of the close relationship of water supply to public health, most cities own their own water works.

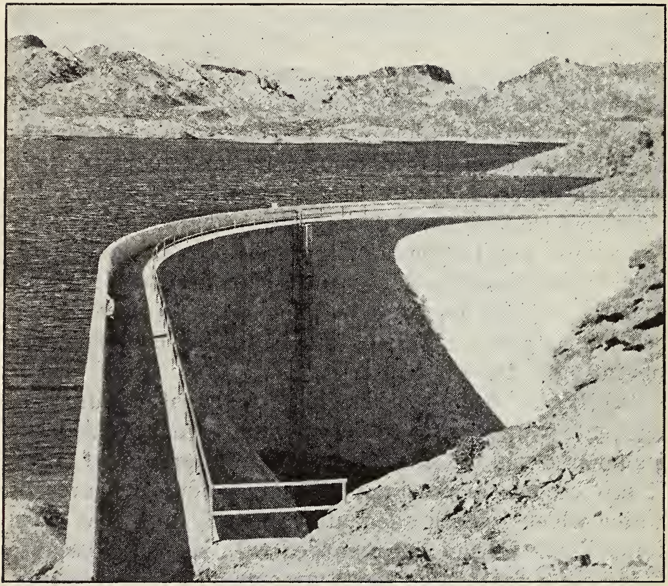


Photo by Metropolitan Water District

The Gene Basin Dam and Reservoir

This is one of a series of reservoirs along the route of the Metropolitan Aqueduct, which crosses the entire state of California, and will carry a billion gallons of water daily to thirteen cities in Southern California.

Often the revenue from the water tax is insufficient to pay for the cost of that service. The water department may show a deficit which must be made up in other ways. Water meters are excellent preventives of waste, but unfortunate in so far as they discourage the use of water on the part of poor citizens.

(*c*) *Gas Supply.* Gas was used as an illuminant early in the eighteenth century. The lighting of the streets decreased the amount of crime and helped to make the modern city a more pleasant place in which to live. At first, private companies were chartered and given liberal franchises; later, many cities built or bought their own gas plants, and tried municipal ownership and operation. No generalization can be made, however, for some cities succeeded while others failed.

(*d*) *Electric Service.* Electricity now has largely superseded gas as an illuminant, but not as a fuel. Hence, the uses of these two sources of energy are complementary as well as competitive. Although many cities formerly manufactured their own electricity, most of them have now found it more economical to purchase it from great electric power companies. The manufacture of electricity in recent years has become one of large-scale production. No limit can be set to the possibilities of electricity, and future generations may regard the supply of electric current as vital as the water supply. Therefore, the rates charged and the character of the service furnished must be carefully supervised by public service commissions.

(*e*) *Municipal Transportation.* The first streetcar line was operated in Baltimore in 1859. Horse cars later gave way to cable cars and electric trolleys. Today, the streetcar is giving way to the motor bus, which travels more swiftly and smoothly and which does not block traffic. High-speed transportation was first provided by elevated railways. In recent years, however, subways have become more popular, because elevated railways are unsightly and create traffic hazards and inconveniences. Thus the development of municipal transportation has been distinguished by many inventions and marked improvements. Public utilities in transportation and communication were treated in Chapter VI.

(*f*) *Municipal Franchises.* A city is generally given in its state charter the right to make a contract with a private corporation granting it the right, and sometimes the sole right, of operating a public utility. Such a contract, called a *franchise,* is made for a limited number of years. The franchise may impose certain conditions upon the operating company, such as repair of the streets, maintenance of the quality of service rendered, and payment to the city of specified charges for the right to operate a public utility.

In the past, franchises were often granted with little regard for the public interest. Political influence in council, or the legislature, has sometimes affected their terms. For example, many valuable privileges, for which commercial companies later would have paid a handsome price, were given away or sold at a very low figure. Moreover, the conditions imposed upon public utilities have not always turned out to be a sufficient safeguard against the exploitation of the city and the consumer.

Perhaps the worst feature was the long term for which many franchises were granted; these were permitted to run for ninety-nine, and sometimes for nine hundred and ninety-nine years. No generation should have the right to limit the freedom of choice of future generations, because conditions change materially with the lapse of time. In fairness to both corporations and the public, no franchise should be granted for a longer period than thirty years. At the end of such a period the franchise might be renewed for a like period, or the city should have the right to purchase the plant of the public-utility company at a fairly appraised valuation.

(*g*) *Municipal Ownership.* Municipal ownership in America is limited principally to water works and high-speed transportation lines. American cities are just beginning to own their own water fronts and to construct municipal docks.

Europe has gone further in the public ownership of the means of communication and transportation than has this country. Merely because municipal ownership has worked in a number of European cities, however, is no guarantee that it will be successful in American cities. The general arguments for and against public ownership, outlined in Chapter VI, should be reviewed at this point. It will be remembered that the compromise arrangement of public ownership and private operation or the reverse has been tried with some success in some communities and in certain industries.

Summary. The "city beautiful" is an ideal of those who would remodel urban life on more artistic lines by inaugurating an era of municipal planning for future development.

A second ideal centers in public health. There is no doubt that the urban death rate is shrinking. The city, which was formerly unhealthful, is becoming more sanitary with the advance of scientific knowledge. Preventable disease, however, can be still further cut down by greater civic co-operation.

A third ideal is that of reform in housing; committees of citizens have determined that the slum must be eliminated from modern American cities.

The political ideal seeks a municipal government which is both efficient and democratic. Some American cities have adopted a commission form of government to insure better civic housekeeping. Let us hope that the expression, "The Shame of the American Cities," applied by Lincoln Steffens a generation ago, will be undeserved by the generation now growing up.

Word Study: Metropolis, metropolitan area, cosmopolitan; municipality; symmetry; contaminated; conduit, conduct; adolescent; initiative, referendum; illuminant; law, statute, ordinance; civic, citizen, city; urban, urbane, urbanization; industrialization; exit, exodus.

QUESTIONS ON THE TEXT

1. What facts can you cite to demonstrate the growth of cities in the United States?

2. What is a metropolitan area? Illustrate.

3. Enumerate some economic causes of city growth.

4. Indicate some social dangers of rapid city growth.

5. Contrast the "checkerboard" and the "wheel spokes" plans of city streets. Indicate advantages and disadvantages of each.

6. Enumerate those features of city life which seem most essential to the health, safety, and comfort of urban residents.

7. What are some serious social problems of city life?

8. What is a municipal corporation? A city charter?

9. What is meant by and involved in "home rule for cities"?

10. Explain each and distinguish between the commission form of city government and the city-manager plan.

11. What are the meaning and significance of the following terms: Ward boss? Contractor rule? Shame of the cities?

12. Enumerate the primary functions and essential departments of city government.

13. Distinguish between a charter and a franchise.

APPLICATION AND INTERPRETATION

1. What is your nearest large city? What surrounding cities, towns, and villages would you include in that metropolitan area?

2. How do you explain the development of metropolitan areas? What special civic problems—economic, social, and political—do they create?

3. "Westward the course of empire makes its way." Illustrate by the rise and decline of world-famous cities.

4. Show, if possible, how advance city planning might have helped to make your own city or town a more pleasant and prosperous community.

5. "The city is a great laboratory for the study of society." Explain.

6. "The city acts as a social magnet." Explain.

7. "The city has been the great failure of American democracy." Explain.

8. What recent inventions and improvements have reduced the advantages formerly enjoyed by city dwellers in comparison with rural residents.

9. Show the disadvantages of overlapping political units of city and county. How can this problem be avoided?

Suggested Activities

I. Prepare talks on the following subjects:

1. Some recent civic improvements in my own community.
2. Services rendered by the city to the individual.
3. Commission form of city government *versus* city-manager plan.

II. Draw cartoons illustrating:

1. Advantages of city life.
2. Disadvantages of city life.

III. Prepare a large regional chart of your community. Indicate the main arteries of commerce, such as railroads and main highways, the chief industrial sites, important commercial centers, and residential districts. Is there a civic center? If so, where?

IV. Have a committee investigate and report to class on:

1. Zoning regulations in your own city or a city near your home. Note the purpose, extent, and results of zoning regulations.
2. Parking conditions in your own community. Make recommendations for improvement.

V. Have a committee investigate and report to class on:

1. Local "eyesores" and vacant lots in the community. Make suggestions for converting these into gardens, parks, and recreation centers.
2. Present methods of collecting and disposing of garbage and rubbish. Make suggestions for improvement.

VI. Have a committee visit the city hall of your own town or some nearby city. From information gathered on this trip, prepare chart showing organization of city government. Indicate relationship between departments and bureaus and duties of various officers and commissions.

VII. Prepare a debate on the following subject:

Resolved: That the city should own and operate such public utilities as electric-power plants, gas companies, and transportation services.

VIII. Write an essay in which you express your own views concerning the most important problem confronting your own city or some other city with which you are familiar. Make recommendations for solving this problem.

IX. Current Events Program. Consult recent magazines, current-event publications, newspapers, and the *Readers' Guide to Periodical Literature.* Read articles dealing with subjects discussed in this chapter. Present digest to class.

COLLATERAL READINGS

CRAWFORD—*Our Government Today;* Chap. VI, "Local Government."

ELLWOOD—*Social Problems—A Sociology;* Chap. XII, "The Problem of the City."

GARNER and CAPEN—*Our Government;* Chap. IV, "Municipal Government: Organization and Forms"; Chap. V, "Municipal Functions and Problems."

HOUGHTON—*Realities of American Government;* Part IV, "Our Local Governments and Their Work."

KINNEMAN, BROWNE, ELLWOOD—*The American Citizen;* Chap. V, "Local Governments"; Chap. XVI, "Metropolitan Areas."

LAPP and WEAVER—*The Citizen and His Government;* Unit IX, "How Cities Are Governed"; Unit X, "How Local and Central Governments Work Together."

MAGRUDER—*American Government;* Chap. XXIV, "Village and City Government."

SHIDELER—*Group Life and Social Problems;* Chap. XIII, "The American City and City Life."

WALLIS and WALLIS—*Our Social World;* Chap. XIV, "The City."

ADVANCED READINGS

BEARD—*American Government and Politics;* Part II, "State and Local Government."

CARPENTER—*The Sociology of City Life.*

CARPENTER and STAFFORD—*State and Local Government in the United States.*

DAVIE—*Problems of City Life.*

KNEIER—*City Government in the United States.*

LYND and LYND—*Middletown in Transition.*

MUMFORD—*The Culture of Cities.*

MUNRO—*Government of American Cities.*

PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. I, Chap. IX, "The Rise of Metropolitan Communities."

WHITE—*The City Manager.*

CHAPTER XXXI

PUBLIC FINANCE OR MEETING THE INCREASED COSTS OF GOVERNMENT

Objectives:

(1) To show the nature of public finance and the principles underlying taxation.

(2) To note the reasons for the increase in taxation and to observe the nature of federal, state, and local taxes.

A. General Considerations

1. Nature and Divisions of Public Finance. Public finance studies the financial well-being of governmental units, such as nations, states, and cities, just as private finance examines the financial organization and operation of individual and corporate businesses.

Public finance has four general divisions: (1) taxation; (2) public loans and credits; (3) public expenditures; and (4) financial administration.

Sound fiscal or financial policy requires that income and outgo balance. The nature and significance of a budget were explained in the chapter on individual thrift. A sound governmental budget is equally important to the maintenance of public credit.

Public funds can be obtained through taxes or loans; but it is obvious that government bonds must be paid off, if at all, out of future taxes. Hence, governmental borrowing should not be utilized to meet ordinary expenditures; it should be resorted to only in temporary emergencies, such as wars and depressions, or to finance huge capital expenditures for important public works, which can be paid for gradually over future years by those who will enjoy their benefits.

2. **Nature of Taxes.** A tax may be defined as a compulsory payment made by an individual or a corporation for the general support of the government. Fees or licenses, on the contrary, are special payments for particular services or privileges. On the other hand, payments for water or gas consumed from a municipally owned and operated utility are similar in kind to the charges made by public-service corporations; they should be referred to as rates, not taxes.

3. **Social Significance of Taxation.** Taxation is a matter of vital concern to the economic life of a people. A change in the tariff rate, for illustration, may mean the life or death of an industry, with important social consequences. Early in our national history, a Supreme Court decision declared that the power to tax is the power to destroy. Thus, the National Bank Act effectively stopped state banks from issuing notes by the simple device of putting a heavy tax upon such issues.

4. **Increasing Burden of Taxation.** (*a*) *Some Facts about Rising Costs of Government.* Since the opening of the twentieth century, the burden of taxation has been rapidly mounting. The following facts will serve to illustrate the recent, rapid increase in governmental expenditures.

Federal expenditures of the United States per capita increased from about $7.50 in 1910 to almost $61 in 1920, and from about $32 in 1930 to almost $60 in 1938. The public debt of the United States was approximately one billion dollars before our entrance into the World War, but by 1919 it had risen to about 25 billions. During more recent years of depression and reconstruction, the federal debt mounted from about 16 billion dollars in 1930 to over 40 billions in 1939.

State and municipal expenditures and indebtedness have likewise increased. Per capita state government cost payments rose roughly from $5 in 1915 to $13 in 1932. Per capita expenditures in 146 leading cities studied were $23.92 in 1915, but $59.83 in 1931.

(*b*) *Some Reasons for Rising Costs of Government.* Much of the increasing burden of taxation is due to the expanding functions of government. We have seen the growing activities of the federal and state governments in matters of commerce and industry. These regulations have become increasingly necessary, but also increasingly difficult and expensive.

Governmental functions have expanded from the regulating of commerce and industry to the furnishing of important services to all citizens. Maintaining public defense and dispensing common justice in the courts are old functions of government; the ''more abundant life'' is a new concept. Communities are now demanding more services and better services. Parents insist on large, modern school buildings; and motorists clamor for wide, smooth roads. All of these excellent services and commodities cost money; the taxpayer must meet the bills.

Numerous things formerly done individually are now done collectively. What was once paid for out of one's own pocket now comes out of the public purse. Thus, cities and states have created excellent departments of public safety to protect the lives and property of their citizens. Municipal police and professional firemen have taken the place of private watchmen and volunteer fire brigades. The municipal water works has replaced the town pump and ''the old oaken bucket which hung in the well.'' A municipal sewage system has done away with family outhouses and cesspools. These changes are necessitated by a greatly increased population. But every shift from individual to collective responsibility has been a substitution of tax payments for individual efforts or private expenditures.

Finally, the enormous burden of warfare weighs heavily on the backs of taxpayers. Before the depression expenditures of the 1930's changed the proportions somewhat, about nine tenths of all expenditures of our National Government were going for wars, past, present, and future. Modern civilization has devised far more costly instruments of destruction than were available in the days of medieval knights before the invention of gunpowder. It will be remembered that *scutage* was a shield tax, the payment of which excused the vassal from personal military service. In this fashion public defense or offense became a national function, instead of an individual obligation; taxes for this purpose permitted the employment of paid troops.

B. Kinds of Taxes and Principles of Taxation

5. Kinds of Taxes. There are various ways of classifying taxes. They may be grouped according to the unit of government concerned. Thus there are local, state, and national taxes.

Taxes may also be classified as direct and indirect. A direct tax cannot be shifted; an indirect tax, on the contrary, is paid eventually by someone else. An illustration of a direct tax is one on income. The tariff, on the other hand, is an indirect tax or one which is shifted. The importer merely adds the duty to the cost of the imported articles; a rough equivalent is finally paid by the consumer.

Another common method of classifying taxes is based on the nature of the object taxed. Thus, there are property, income, inheritance, and sales taxes.

Finally, attempts have been made to classify taxes according to the purposes for which they have been imposed. Illustrations are school taxes, war duties, relief measures, and road taxes or tolls.

6. Theories of Taxation. There is little "rhyme or reason" in our present system of taxation, other than that of obtaining payments from the sources where there will be the least resistance and the greatest opportunity for revenue. Taxation systems, like Topsy, have just grown. Nevertheless, there have developed two general philosophies of taxation: (1) the special-benefit theory, and (2) the ability-to-pay theory.

(*a*) *Special-Benefit Theory.* This philosophy of taxation maintains that those who benefit most from a particular service of government should pay for it. It regards a tax as a kind of fee. The toll system is an illustration of the special-benefit theory of taxation; it assumes that those who use the roads should pay for their construction and maintenance; others need not do so.

(*b*) *Ability-to-Pay Theory.* Most writers on taxation accept the ability-to-pay theory, which ignores the relationship between amount of tax paid and degree of benefit received from a particular service of government. For example, certain privileges are enjoyed by all Americans, regardless of the extent to which they contribute to the support of government. Of such a character are expenditures for public defense and public education. The costs of these services must be borne by all citizens; they must be apportioned among them according to their relative abilities to pay.

Ability to pay may be indicated and measured in a variety of ways. Income received, property owned, and goods consumed are various tests. Hence, we have respectively income taxes, property taxes, and consumption, luxury, or general sales taxes. A poll tax, on the contrary, violates the ability-to-pay principle, for it imposes the same tax on all.

(*c*) *Principle of Progression.* According to the principle of progression, ability to pay increases more rapidly than income or any other base of measurement. Therefore, not only should the amount of taxes increase with an increase of income, but also the percentage or rate of taxation should be advanced. Higher incomes should be charged higher rates, not merely higher taxes at the same rate. This principle of progression has been used in both income and inheritance taxes. The lowest incomes are not taxed at all; moderate incomes are taxed flat rates; in addition to the flat rates, incomes over a stated amount are charged additional taxes, called *surtaxes.*

7. Maxims of Taxation. Adam Smith, author of *Wealth of Nations,* has given us some simple but sound maxims of taxation, which every good system of taxation should follow. He contended that all citizens should contribute as nearly as possible to the general expenses of government in proportion to their respective abilities to pay. The taxes which each individual must pay should be certain and based on some specific measure or definite standard; they should not be dependent on the whims or personal wishes of individuals. The time and manner of tax payments should likewise be clear and definite. Every tax should be levied at the time and in the manner most convenient for the contributor to pay. Finally, no tax should be imposed which is incapable of efficient and economical administration; that is, the cost of tax collection should be low in proportion to its yield.

These old maxims of taxation are sage advice for modern governments to follow. A century and a half ago they had even more significance. Public finance was then in its infancy, and a sound system of taxation was a rare thing. On the eve of the Revolution, France was found to be without sufficient funds to run its government. The nation was not carrying a load of taxes heavier than it could bear, but taxes were unfairly apportioned and poorly administered. All four of the above maxims of taxation stressed by Adam Smith were being ignored or violated. Public expenditures were as wasteful as taxes were uneconomic.

C. Federal Taxes

8. Tariffs. The Constitution gives Congress control over interstate and foreign commerce. It is expressly forbidden, however, to lay any tax on exports. Chapter X pointed out that duties on imported goods may be specific, ad valorem, or compound.

It will be remembered that tariffs are levied to provide protection for home industries and to raise revenue for the government. Providing protection and raising revenue, however, may come into conflict. Some American tariff rates have been placed so high that the importation of certain foreign goods has been checked; tariff yield, therefore, suffered a decline. On the contrary, Britain, which for many years had a tariff for revenue only, discovered that the best fiscal or income-securing measures were duties imposed on common articles in general use, produced outside the country, such as sugar and tea.

Customs receipts have declined in their relative fiscal importance with the growth of governmental expenditures and the imposition of new taxes. Before the War between the States, customs receipts were often in excess of total ordinary federal expenditures; in other words, they were sufficient of themselves to pay the normal expenses of running the National Government. Before the World War, customs receipts constituted only half the income of the Federal Government, although in absolute amount they were greater than ever before. Of recent years, federal revenue from duties on imports has been from 10 to 15 per cent of total tax receipts.

9. Excise Duties. An excise is a tax laid upon articles consumed, sold, or manufactured within a nation. Hence, the term internal revenue is often applied to such taxation. The commodities generally so taxed are liquors and tobacco. Napoleon once remarked that evils had broad backs. The heavy taxation of luxuries and unwholesome articles may be done deliberately to discourage their consumption, as well as to increase their revenue yield.

10. Income Taxes. (*a*) *Constitutionality.* The Constitution originally provided that direct taxes should be apportioned among the several states according to population. In 1894, Congress passed an income-tax law which was later declared unconstitutional by the Supreme Court as a violation of that particular provision. An amendment to the Constitution, ratified in 1913, legalized a federal income tax. State income taxes had already been in existence in some states.

INCOME TAX 32
INCOME TAX 31
INCOME TAX 30

Photo by Brown Brothers

FILING INCOME-TAX RETURNS

(*b*) *Fiscal Importance.* The federal income tax is now an established institution. From over a third to over a half of all federal revenue has come from the federal taxes on individual incomes and business profits.

(*c*) *Taxes on Individual Incomes.* Fluctuations in the business cycle and variations in governmental needs have required periodic changes in the federal income-tax law. The Revenue Act of 1934, for illustration, provided for a flat normal tax rate of 4 per cent on all net incomes in excess of $1000 for single persons and $2500 for married persons, with an additional credit of $400 for each dependent. This normal income-tax rate was continued in the Revenue Act of 1935, but the surtaxes—additional taxes over and above the normal or flat tax rate—were increased, beginning with an additional 4 per cent on net incomes between $4000 and $6000, and continuing upward progressively to 75 per cent on incomes in excess of $5,000,000.

(*d*) *Taxes on Corporate Incomes.* Corporations, as well as individuals, have been compelled to pay the federal income tax. Until recently, corporation income taxes were on a flat-rate basis. Under the Revenue Act of 1936, however, the principle of progression was extended from individual to corporate incomes. Under its provisions, net corporate incomes of less than $2000 were subjected to a normal tax of 8 per cent and progressive rates were applied to larger net incomes, reaching the maximum of 15 per cent on net corporate incomes in excess of $40,000.

(*e*) *Advantages and Limitations of Income Taxes.* Income taxes have been defended on the ability-to-pay theory. If one receives a large income, he is able to pay a heavy tax; if he has little or no income, he suffers little or no burden of taxation. Again, income taxes are more productive of yield and less expensive of collection than are tariffs. Nevertheless, evasion is practiced by unscrupulous, indifferent, and uninformed persons.

A tax on corporate income, other than excessive profits, is more difficult to defend than one on individual income.

Either a corporation reinvests its earnings in the business, or it pays them out to stockholders in dividends. A tax on corporate incomes, in addition to one on individual incomes, constitutes double taxation. The principle of progression, resting on the ability-to-pay theory, has little, if any, significance with respect to corporations. Large corporations naturally have larger incomes than small ones, but they also have more stockholders and greater capital investments; their rates of return may not be greater than those of small corporations.

11. Death Duties and Gift Taxes. (*a*) *Nature.* A federal estates tax was first adopted in 1916; it was expanded under the Revenue Act of 1921 and those of subsequent years. It is a levy upon the transfer of property at the death of the owner. Gift taxes now supplement death duties; they similarly tax transfers of property before death.

An estates tax differs from an inheritance tax. An estates tax levies against the entire estate after allowing certain deductions and credits; it taxes what is left. An inheritance tax levies against each separate legacy; it taxes what is received. Death duties of the Federal Government are levied against estates; those of most states are levied against inheritances. The transfer of property pays both taxes.

Under the Federal Revenue Act of 1935, the first $10,000 of the net estate was taxed at 2 per cent, after which the rates were stepped up to 70 per cent on net estates valued in excess of $50,000,000; there was an exemption allowance up to $40,000.

Almost every state in the Union now has an inheritance tax. The laws vary greatly from state to state, concerning exemptions and credits allowed, and as to bases and rates of taxation. In general, the rates are higher as the amount of the legacy increases and as the relationship of the heir to the deceased becomes more distant.

(*b*) *Arguments Concerning Death Duties.* Death duties are regarded by their critics as a direct attack upon the institution of private property. In 1935 indignation was aroused over the advance in the rates of the federal estates tax up to surtaxes of 70 per cent on estates in excess of $50,000,000. Those who were affected by these surtaxes claimed that the government was resorting to confiscation—outright seizure of property.

Advocates of death duties and transfer taxes contend that these taxes are burdenless. The deceased cannot suffer from their imposition, and the living cannot lose what they never possessed. Moreover, extremely high rates are imposed only on huge fortunes or distant relationships. Such a policy is regarded as socially desirable, as well as economically burdenless. In this fashion, enormous estates will be broken up over several generations and a hereditary class of idle rich will not be permitted to perpetuate itself in democratic America. Equality of opportunity was defined as the equal chance to all individuals to become unequal; that is, to develop to the varying limits of different native capacities. The inheritance of colossal legacies would give to those fortunate individuals an unfair advantage in the race of life; it would shelter them unduly from economic competition in the social struggle for success. Thus runs the argument of defenders of death duties. It must be remembered, however, that they do not advocate the complete confiscation of the stored-up wealth of each generation. They would not destroy entirely the economic incentive to produce income and to provide for one's children.

D. State and Local Taxes

12. Sources of State and Local Revenues. Most states are not entirely dependent on taxation as their sole source of revenue. Department fees, license charges, and similar items help to pay for the performance of many state functions. Again, in some states the sale of public lands has been a considerable item. Nevertheless, most revenue of most states comes from taxation. Although income taxes, inheritance taxes, and special corporation taxes now provide a profitable source of income in many states, the general property tax is still of major significance.

For the purposes of local government support, the general property tax or the real-estate tax is almost the sole source of income. In some large cities, however, special highway privileges and franchises to public-utility companies have been productive of considerable revenue.

13. General Property Tax. The general property tax is one levied at uniform rates on the assessed value of most forms of property. In many cases, the general property tax is broken down into, or replaced by, two taxes, the one on real property or real estate, and the other on personal property, such as stocks, bonds, and mortgages.

Although the general property tax is an important source of state revenue and almost the only source of local revenue, it has serious defects. In the first place, the assessment of "the true and fair value" of any property is difficult and dangerous; assessors may be ignorant and incompetent, or they may be influenced by personal bias and political motive. Moreover, the general property tax places an undue burden on real estate; real property, unlike personal property, cannot run and hide. Furthermore, the general property tax invites double taxation; it levies, for instance, against both the house itself and a mortgage against it. Finally, the general property tax rarely utilizes the principle of progression. The rate is generally the same, no matter what the value of the property may be.

14. Single Tax. (*a*) *Nature.* Critics of the general property tax have suggested a tax on real estate instead of a general property tax. Single taxers, however, have gone even further. They propose that there be only one tax and that this tax be placed on land values. They would "untax" capital investments and improvements on land. On the other hand, they would tax land itself up to its full economic rent and appropriate the "unearned increment" from rising land values.

The single-tax proposal, as explained by Henry George in *Progress and Poverty,* is not merely a tax measure but a comprehensive program of economic reform. Private-property rights in land, as we understand them, are to be done away with, but private-property rights in capital and consumers' goods are to be respected. The state is to control all the land, which is to be leased out to the highest bidders in lots of convenient sizes. Society itself would thus appropriate all economic rent, which would be used for the expenses of running the government and for social reforms.

(*b*) *Arguments for and against the Single Tax.* The single-tax argument runs somewhat as follows. Land is the gift of nature and the heritage of all mankind. Natural resources, including fertility of the soil, were not produced by individual labor. Either land values have resulted from some bounty of nature or they have been socially created by community development in which all have shared. The individual is responsible for neither differences in land values nor for increases in land values. Why should the landlord reap an unearned income where he has not sown in the sweat of his own brow?

Critics of the single-tax program call it confiscation. Why should the savings of a lifetime invested in land be called into question? Why should investments in land be unsound, but those in capital be sound? How would it be possible to separate "raw land" from improvements on it resulting from the investment of capital and the expenditure of labor? If society is to confiscate the unearned increment from rising land values, why should society not compensate individuals for the depreciation from falling land values? Such are some of the questions and criticisms raised in response to the single-tax proposal.

15. Sales Taxes. The fiscal emergency confronting state and local governments, created by the depression years of the 1930's, stimulated the continuous search for new sources of revenue. Some states, not hampered by their own state constitutions, passed personal income taxes, or increased the rates of existing income taxes; some devised new corporation taxes or increased old ones. But states and cities alike turned to a new source of public revenue; namely, the general sales tax.

The general sales tax produces good revenue, even though it is difficult to administer, especially in the case of small merchants who do not keep adequate books. It is simple in theory and easy in operation. It is also contended that the sales tax is fair, because it "treats everybody alike." But similarity of treatment ignores the ability-to-pay theory and violates the principle of progression. Even though a sales tax on the poor man's purchase of necessities may be slight, while that on the rich man's purchase of luxuries may be great, the former may be relatively more of a burden than the latter.

Summary. Public finance studies the financial well-being of governmental units. It includes taxation, public loans and credits, public expenditures, and financial administration. A balanced budget is as important to public credit as it is to individual thrift.

Taxes have been rising and public loans expanding because of the increased functions and additional services of government, and because of the burdens of national defense in war and social security in depression.

A tax is a compulsory payment for the general support of government. A fee, on the contrary, is a payment for some specific service.

Taxes may be local, state, or national; they may be direct or indirect, they may be based on a variety of things and levied for a variety of purposes.

Although the special-benefit theory explains some taxes, the great majority of taxes are now based on the ability-to-pay philosophy. The principle of progression assumes that ability to pay increases more rapidly than income or any other base of taxation. Consequently, higher rates should be levied on higher amounts.

Four maxims of taxation are: ability to pay; certainty as to base, method, and time; convenience as to manner of payment; and economy in the collection of taxes.

Important federal taxes are customs and excise duties and income and estates taxes. In tariff determination, protective aspects have conflicted with fiscal aspects. Income taxes are based on the ability-to-pay theory. Death duties are regarded as economically burdenless and socially desirable. The Federal Government levies an estates tax and many states have inheritance taxes.

Although states derive their income from a variety of sources, the chief support of local government is the general property tax. This has many defects: fair assessment is difficult; double taxation is common; the chief burden is thrown on real estate; and the tax is not progressive.

Single tax is a comprehensive program of social reform, as well as a taxation proposal. It would absorb the economic rent of fertile land and good sites; it would appropriate the unearned increment from rising land values; it would ''untax'' capital improvements on land.

Recent demands on public funds have led to a search for new sources of revenue. States and local communities have imposed sales taxes. Although productive of revenue, they are not progressive in character and hence not based on ability to pay.

Word Study: Financial, fiscal; tax, fee, license, surtax, supertax, excise; corporate; levy, legacy; evasion, exemption, progression, confiscation; bounty; increment; maxim, maximum, minimum.

Questions on the Text

1. What is public finance? What are its chief divisions?
2. What is a budget? Show its significance to individual thrift and to public credit.
3. Define a tax. Differentiate between taxes and fees.
4. Why is taxation a matter of great economic, social, and political significance?
5. Cite facts to show the rising costs of government.
6. What reasons can you give for the rising costs of government?
7. How may taxes be classified? Illustrate each type.
8. Contrast the ability to pay theory with the special benefit theory of taxation.
9. Explain the principle of progression in taxation.
10. What were Adam Smith's famous maxims of taxation?
11. What are some of the chief sources of revenue of the Federal Government?
12. How and why do income-tax laws differentiate between individuals and corporations?
13. Distinguish between estates taxes and inheritance taxes.
14. What are some sources of revenue for state governments?
15. How is local government in the United States supported?
16. What is the general property tax? What are some defects of the general property tax?
17. Distinguish between real and personal property. Illustrate each.
18. What is meant by the "single tax"? Who proposed it and in what book? Give arguments for and against the single tax.

Application and Interpretation

1. Wherein are public finance and private finance similar? Wherein do they differ?
2. What are the merits of a pay-as-you-go policy in private finance? In public finance?
3. When does it seem wise, and when unwise, for governments to resort to extensive borrowing?

4. "The power to tax is the power to destroy." Explain and illustrate.

5. "Rising costs of government are due, in large part, to the fact that we are now doing many things collectively rather than individually; this means merely a substitution of public for private expenditure." Defend or criticize. Explain and illustrate.

6. "A new ideal in government is service." Defend or criticize. Explain and illustrate.

7. "It is better to spend billions at home to save lives in a depression than to take lives abroad in a foreign war." Defend or criticize.

8. "Evils have broad backs." Show taxation implications. Can a nation drink or smoke itself out of a depression?

9. Make out a case for or against death duties and gift taxes. Can you, or would you, suggest limitations?

10. Evaluate the common argument for a sales tax; namely, that the base of taxation must be broadened.

Suggested Activities

I. Prepare talks on the following subjects:

1. Provisions of the present federal income-tax law.
2. Some important Supreme Court decisions affecting taxes.
3. Income-tax law of your own or a neighboring state.
4. Financial costs of wars and depressions.

II. Draw cartoons illustrating:

1. Burden of modern armaments on the taxpayer.
2. Relation between increased functions of government and the taxpayer.

III. Have a committee obtain the following information:

1. Receipts and expenditures of local government.
2. Has your local community a general property tax or a real-estate tax? If so, how is it fixed and how does it work?

IV. Prepare graphs showing:

1. Increase in national expenditures since 1910.
2. Increase in national indebtedness since 1910.
3. Federal receipts and expenditures for the year just passed.

Collateral Readings

Corbett and Colvin—*Modern Economics;* Unit XIV, "Tax Policies."

CRAWFORD—*Our Government Today;* Chap. IX, "Financing the Federal Government"; Chap. X, "Financing State and Local Governments."

FAY and BAGLEY—*Elements of Economics;* Part VI, "Department of Public Finance."

GARNER and CAPEN—*Our Government.* See Index.

HOUGHTON—*Realities of American Government;* Chap. XVI, "Paying the Costs of the National Government"; Chap. XXVIII, "Paying the Costs of Our State Governments"; Chap. XXXV, "Paying the Costs of Our Local Governments."

KINNEMAN, BROWNE, and ELLWOOD—*The American Citizen;* Chap. VIII, "Financing the Government."

LAPP and WEAVER—*The Citizen and His Government;* Unit XV, "How Public Money Is Obtained and Spent."

McFEE—*How Our Government Is Run;* Chap. XVIII, "Taxation: State and National."

REED—*The Form and Functions of American Government;* Chap. XL, "Revenue and Taxation"; Chap. XLI, "Government Finance."

SMITH—*Economics;* Chap. XXXIV, "Public Finance."

ADVANCED READINGS

BEARD—*American Government and Politics;* Chap. XI, "Taxation and Finance"; Chap. XXVII, "State Finances."

BUEHLER—*Public Finance.*

COMSTOCK—*Taxation in the Modern State.*

ELY—*Outlines of Economics;* Book III, "Public Finance."

FAIRCHILD, FURNISS, BUCK—*Elementary Economics;* Vol. II, Part V, "Taxation and the Business of Government."

KING—*Public Finance.*

MUNRO—*The Government of the United States.* See Index.

PATTERSON and SCHOLZ—*Economic Problems of Modern Life;* Part V, "Problems of Public Finance."

PRESIDENT HOOVER'S COMMITTEE—*Recent Social Trends;* Vol. II, Chap. XXVI, "Taxation and Public Finance."

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Tax Policy League—*Proceedings.*

CHAPTER XXXII

POLITICAL PARTIES, PUBLIC OPINION, AND PROPAGANDA

Objectives:

(1) To show the importance, structure, and functions of political parties and to examine some suggested remedies for party abuses.

(2) To note the importance of public opinion and to point out some factors that help to create it.

(3) To explain the nature of propaganda and the work of pressure groups.

A. POLITICAL PARTIES

1. Importance of Political Parties. The work of national, state, and local governments cannot be understood without some knowledge of political parties. Although the rapid development of political parties was not foreseen by the fathers of our country and no provision was made for them in the Constitution, nevertheless political parties have come to play an important part in the operation of democratic forms of government. In fact, it has been said that they are indispensable features of a democratic society.

2. Nature and Composition. A political party may be said to consist of a group of individuals who hold, in general, similar views regarding matters of public interest. The party attempts, through the concerted action of its members and a definite plan of party organization, to attain certain political objectives. It tries to elect its candidates to office, to control the administration of public affairs, and to further the policies of the party.

It must not be inferred, however, that all members of a political party hold identical views. There is often wide disagreement among its members concerning public questions and matters of policy. In every party there will be found some who hold conservative views; others who are more liberal; and still others who hold extreme views. Sometimes disagreements lead to violent breaks within the party. In 1912, for example, the dissension among the Republicans led to the formation of the Progressive Party under Theodore Roosevelt. Despite the splits that sometimes occur in party ranks, on the whole, the party exercises a strong connective force over its membership.

3. Reasons for Membership. Membership in a political party may be based on many different considerations. There are some individuals who attach themselves to a political party because of their deep-seated conviction that it upholds the ideals and principles of their own political creed. On the other hand, some people are members of a particular party, not because of a sincere belief in the principles of that party, but because of tradition. They are Republicans or Democrats because their families for generations have been Republicans or Democrats. Some individuals simply "go along;" they follow the path of least resistance. If questioned, they would be at a loss to explain convincingly their reasons for membership; they might even be at a loss to explain the differences between the policies of the opposing parties.

Still other individuals see in affiliation with a political party the means of obtaining jobs or favors of various kinds. The patronage dispensed by party leaders attracts many whose personal convictions can be influenced by material considerations. Contracts and franchises are "plums" which sometimes fall into the hands of "loyal" party men. Political machines in large cities exert an especially strong control over party membership.

Through the personal services which the political party renders its members, political machines have strengthened party loyalty. Not only do they organize clubs in which opportunities are provided for social activities, but they may also furnish their members with medical attention, food, clothing, and shelter in times of need.

4. Functions of Political Parties. The political party serves as an important agency for the forming of public opinion, and for the carrying over of this public opinion into legislation. Without political parties, it would be difficult to express the public will, either in the enactment of legislation, the election of public officials, or the administration of public affairs. The political campaign, waged by rival organizations, focuses the spotlight of public attention upon the candidates for office and their qualifications. Through party platforms, public attention is centered upon public issues. Furthermore, the political contest serves as a means of educating the public and of stimulating interest and enthusiasm.

Two major parties are desirable. When one party is victorious for a long period of time, it is likely to become corrupt. This is especially true of machine politics in our large cities. A critical minority party acts as a restraining force on the party in power and puts it on its "good behavior."

5. Development of Political Parties. (*a*) *Federalists and Antifederalists.* Political parties emerged during the early days of the Republic; since that time they have exerted great influence in the United States. During Washington's administration a party known as the Antifederalists opposed the group in power known as the Federalists. Their opposition was directed particularly against the policies of Alexander Hamilton, who favored centralization of government, and John Adams, who was regarded as an aristocrat.

(*b*) *Democrats and Whigs.* The Antifederalists, later known as the Democratic Republicans, triumphed under Thomas Jefferson in the election of 1800. The Federalist Party continued to lose strength and soon disappeared. For some years there was only one party. The Democratic-Republican Party of Jefferson finally evolved into the Democratic Party which elected Andrew Jackson in 1828. At this time, however, there appeared an opposition party known as the Whigs. Nevertheless, until the War between the States, there was a steady succession of Democratic Presidents with the exception of the single short-lived success won by the Whigs under Harrison and Tyler.

(*c*) *Republicans and Democrats.* The great questions of slavery and the preservation of the Union were issues which gave birth to the Republican Party under the leadership of Abraham Lincoln. Following the War between the States, the Republicans enjoyed a long period of political success. From 1860 to 1940, the Republican administrations were interrupted only by the presidential terms of three Democrats, Grover Cleveland, Woodrow Wilson, and Franklin D. Roosevelt.

After the War between the States, the tariff and the currency became important issues with both major parties. Today, no great issues, such as slavery and the preservation of the Union, violently agitate the political atmosphere. The fundamental differences between the two parties center in methods of solving the great economic and social problems confronting the American people. Foreign affairs, as well as internal affairs, have become of increasing interest and importance.

6. Party Organization. (*a*) *Importance.* The success of a party depends not only on the quality of the leaders who direct its affairs but also on the efficiency of the party organization. It is obvious that some definite plan of organization is necessary in order to carry on the work of the party: to raise funds, to nominate and elect candidates, and to wage campaigns.

Party organization is based on the committee system. Among the committees created to promote the interests of the party are the National Committee, congressional committees, state committees, city committees, ward committees, and various other local committees.

(*b*) *National Committee.* The National Committee is composed of two members—a man and a woman—from each state and territory. The members are chosen in accordance with regulations prescribed by the state and they are confirmed at the National Convention. In order to speed the work of the National Committee, subcommittees are appointed to carry out specific duties.

The National Committee meets several months in advance of the National Convention and names the time and place of this convention. Arrangements are then made within the states to select their delegates. The National Committee takes an important part in the affairs of the convention, and actively conducts the political campaign that follows. It raises funds, maps out a program, plans its strategy, and carries out those activities which, it is hoped, will insure victory at the polls.

During the interval between presidential campaigns, the National Committee observes the political situation closely and is attentive to the trends of public opinion. It notes the policies of rival organizations and seeks to profit by those policies which fail to meet with public approval. It also co-operates with the state and local committees, and seeks to promote party harmony throughout the country.

The National Committee operates under the guidance of a National Chairman. He is selected by the members of the National Committee at the National Convention. The selection, however, is made with the approval of the presidential nominee. The work of the National Chairman is so vital to the success of the party that he must be a man of exceptional ability, personality, and character.

In addition to the National Committee, there are also congressional committees which are selected for the purpose of promoting the election of the party candidates for senators and representatives.

(*c*) *State and Local Committees.* The state committee is composed of leading party workers, chosen, for the most part, at state conventions. Number of members and duration of service vary in different states. The state committee supervises the political campaign in the state, secures funds, plans party strategy, and seeks to stimulate and co-ordinate the work of local committees. It promotes party interests in the state, and co-operates with the National Committee as well as with various local committees.

Local committees, which include county, city, ward, township, and precinct committees, come into closer contact with the voters than do the state and national committees. Local party workers seek to win followers to the party. They distribute campaign literature, interview voters, and see that those eligible to vote cast their ballot on election day.

7. National Convention. The National Convention of each party is held every fourth year during the summer preceding the presidential election. Methods of selecting delegates vary in the different states. In some states they are selected by conventions; in others, by the direct primary.

The purpose of the National Convention is to select a candidate for the presidency and a candidate for the vice-presidency. It is at the National Convention that the party platform is drawn up. This convention also confirms the selection of the members of the National Committee.

When the delegates have assembled, the convention is called to order and a roll call is taken, after which important committees are promptly appointed for their special tasks. During the first day, the temporary chairman, who has been chosen by the National Committee, delivers the keynote speech to stimulate interest.

Photo by Brown Brothers

A National Convention

Party delegates from every state meet to nominate a candidate for the presidency.

During the next session of the convention, committee reports are submitted and a permanent chairman is installed. Then it may be said that the real business of the convention gets under way. The nomination of a candidate for the presidency is followed by the nomination of a candidate for the vice-presidency, and a party platform is adopted. The particular provisions of the platform are known as its *planks.*

The convention lasts only a few days; yet during that time the attention of the entire nation is concentrated on this colorful and interesting spectacle. Every effort is made to win public favor and to quicken the morale of party workers who will be active in conducting the campaign. The meetings are held in a huge auditorium which is thronged with delegates and spectators. The enthusiasm of the convention body is stimulated by the use of bands, bunting, processions, banners, mechanical noisemakers, speeches, cheers, songs, and prolonged applause. Orators loudly praise the qualifications of their particular candidates for office; they heartily condemn the defects and wickedness of their political opponents. The party in power ''points with pride'' to its record, and the party out of power ''views with alarm'' the continuation of current policies and programs.

8. Party Funds. In order to wage political campaigns and defray organization expenses, political parties need funds. During political campaigns expenses are especially heavy for radio broadcasts, campaign literature, assembly halls, and transportation services.

Party funds are obtained from many sources. Large contributions are made by individuals and organizations interested in the success of the party. Funds are also raised by assessments levied on officeholders; this is known as *macing* or forcing contributions through the fear of losing one's political job. The payment of tribute by those who desire special favors sometimes swells the treasuries of political organizations. Corporations have been known to donate large sums of money to political parties.

Both the national and state governments have attempted, through legislative enactment, to reduce those abuses which have accompanied the collection and use of campaign funds. The filing and publishing of a candidate's expenditures for election throw the searchlight of publicity on the amount, source, and expenditures of campaign funds.

9. Abuses in Political Parties. Despite the important services rendered by political parties, and despite the attempts of government to regulate by law their activities, the history of these organizations has frequently been stained by inefficiency and corruption. Some individuals have come to look upon political parties as sources of profitable jobs and of other political favors. In our large cities especially, the development of political machines under the control of bosses has given rise to the flagrant abuses discussed in the preceding chapter.

The rapid growth of cities and the congestion of population have made it easy to control large masses of voters. Patronage has been widely used to manage the votes and to secure control. Money has been spent freely by self-interested groups to sway elections. Tribute money and bribes have been paid by those who desire contracts, franchises, and political favors of one kind or another.

Too often the policies and activities of political parties have been dominated by self-interest and a desire to perpetuate personal or machine control, rather than by party principles and a desire for public welfare. Through machine politics, political candidates, highly qualified by character and ability to hold public office, have been defeated; and inefficient, even unscrupulous, officials have been elected. Politics has therefore been referred to as "a dirty business."

10. Some Remedies for Party Abuses. Many evils associated with political parties in the United States may be attributed to the indifference of the American citizen. Individuals who may deplore the abuses in political organizations refuse to lend their support to measures designed to improve conditions. They not only neglect to vote, but do not take the trouble to become acquainted with the qualifications of candidates and the issues at stake.

Active participation in party affairs is highly desirable. Rather than remain aloof from the political scene, it is better for the citizen to identify himself with a party whose principles he endorses, even though all the policies of that party may not meet with his unqualified approval. By active and intelligent participation he can help to bring about desired reforms within the party of his choice.

There is an obvious need of education in citizenship affairs. The complex nature of our modern society necessitates a careful analysis and a close study of the great economic, social, and political problems which confront the citizen. Today, there is also need for a more intelligent study of political parties and party policies.

A democracy affords its citizens the enjoyment of many privileges; but it also imposes certain obligations. A democratic form of government cannot function efficiently and honestly unless each citizen learns the issues of the day, investigates the platforms of political parties and the qualifications of candidates for office, and then votes for those candidates and those measures which, in his opinion, will best promote the public welfare.

B. Public Opinion and Propaganda

11. Social Significance of Public Opinion. The preceding study of political parties showed how the party serves as an agency for the expression of public opinion, which may be considered as the views of a large group of people in society. Public opinion thus is a form of social control and a factor in the administration of government and the enactment of legislation.

Laws express the public opinion of the majority. In order to enact new laws and to enforce old laws, favorable public opinion must be formed. This is done by political parties and pressure groups of interested individuals.

Majority views on many subjects change greatly from one generation to another. For example, the extension of the franchise to women was strongly opposed as recently as the second decade of the twentieth century. Later, public opinion came to accept it, and finally legislation brought it into being.

It has been said that the success of a democracy depends on the existence of, and the expression of, an enlightened public opinion. The degree of enlightenment which characterizes the public opinion of the day will be determined by the intelligence and education of the people, their ability to secure adequate information and to discover the truth or falsity of conflicting statements. It is clear then that the citizen should be aware not only of the nature of public opinion and its importance, but also of those factors which sometimes openly and sometimes secretly direct the trend of thought.

12. How Public Opinion Is Influenced. Daily we are subjected to a number of influences which help us to make up our minds on different issues or which subconsciously make up our minds for us. Among the agencies which mold public opinion are the press, the radio, commercial advertisments, public speeches, the motion picture, our daily contacts in business and social groups, travel, the school, the church, and lobbies or various pressure groups.

(*a*) *The Press.* The press exerts great influence on the development of public opinion. It has been claimed that the newspapers do not create public opinion but tend to follow it. Despite this assertion, however, the newspaper does affect the tastes, morals, viewpoints, attitudes, and ideals of large numbers of readers. A free press, which gives complete, accurate, and unbiased information without garbling or distorting the news, is a powerful influence for good; it is equally the product and the protector of democracy. On the other hand, when the press distorts or suppresses news, or when it presents only one side of a controversial issue, it has a harmful effect on public opinion.

Unfortunately, newspapers are frequently biased, or, at least, reflect only one point of view. This situation is made worse because many families read only one paper and thus buy ready-made opinions on many political issues of the day. It is also alleged that the press is commercialized by business interests, even where it is not controlled by a government censor. Commercial advertising makes possible the publication of a newspaper sold for a small price to a wide circulation. Advertisers may be attracted or offended by the editorial policy of a journal; hence only a few papers are independent.

(*b*) *The Radio.* The comparatively recent invention of the radio has had tremendous social influence, as stated in earlier chapters. From an educational point of view, this newly discovered means of social enlightenment possesses vast possibilities. It is the most satisfactory means of direct and quick contact with the masses of people. Consequently, candidates for office and governmental officials in office have utilized the radio in attempts to influence public opinion in their favor.

Large commercial interests, whose business depends mainly on advertising, have gained control of some of the most favorable air channels and the most powerful broadcasting stations. In their efforts to attract the greatest number of people, education has often been sacrificed for amusement. On the other hand, the radio has brought into almost every home good music, addresses by well-known lecturers, and plays by famous actors and actresses.

(*c*) *The Motion Picture.* The motion picture, as well as the press and the radio, profoundly influences public opinion. Millions of people—men, women and children —attend the movies each week. That industry is among the leaders of the country in receipts and expenditures.

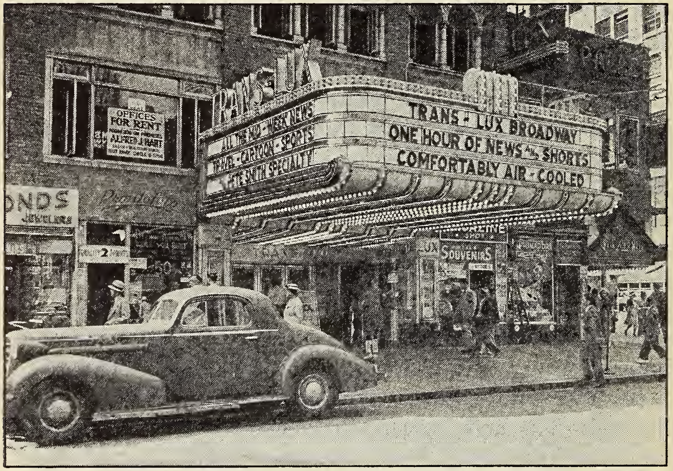
OFFICES FOR RENT
ALFRED J. HART
NDS JEWELERS
ALL THE NEWS WEEK NEWS
TRAVEL CARTOON SPORTS
PETE SMITH SPECIALTY
TRANS-LUX BROADWAY
ONE HOUR OF NEWS & SHORTS
COMFORTABLY AIR-COOLED
SOUVENIRS

Photo by Brown Brothers

"The Power of the Press"

Newsreels, which have become as diversified as a newspaper, exert a powerful influence on public opinion.

The motion picture has tremendous educational possibilities, both for the general public and for pupils in school. Contemporary news events and scenes from all the world increase general information and extend personal experiences. Because of its great power to influence spectators, the motion picture presents dangers as well as advantages. Some pictures create or reinforce stereotypes, to be defined and discussed in the following section. Some feature a criminal career, in which the hero or villain lives by his wits, instead of by habits of steady industry. Others portray indolent leisure and the acquisition of wealth by uneconomic, if not antisocial, means. Finally, the sex motive, like the crime theme, is used to arouse interest in a picture and thus to increase box-office receipts. Love scenes are made the basis of much cinema advertising.

13. Stereotypes. A stereotype is a popular misconception or a distortion of the truth. Public opinion caricatures cruelly or comically, but it does not picture accurately and fairly a person or a people, a country or an institution. Stereotypes vary from partial truths or the oversimplification of a complex problem to actual misinformation, downright lies, and false interpretations. Thus, war propaganda created a stereotype of the German soldier, painted in posters as a hideous Hun. This stereotype was replaced after the World War by one of the red Russian, pictured with boots and bomb. American stereotypes of the Japanese are generally unfavorable, and the reverse is equally true. Current American stereotypes of the Chinese, unlike those before the passage of the Chinese Exclusion Act, are now favorable instead of unfavorable, even though they continue to be inaccurate. Mexicans, French Canadians, Japanese, Russians, and particularly half-castes must be villains in magazine stories and screen dramas, in order to feed public prejudice and to fill popular stereotypes.

Because public opinion is so largely made up of stereotypes, human-interest stories in our newspapers make heroes or angels out of ordinary people who perform brave deeds or who do kind acts. For example, the press made such a hero of Lindbergh after his successful airplane flight over the Atlantic Ocean that he found it almost impossible to secure privacy. Hauptmann's trial for kidnaping was turned by the press into a sensational melodrama, and extra editions were sold by the millions of copies. Stereotypes demand that the American President be or become a fisherman, and that he be so pictured on his vacation; they also require that he spend much valuable time in shaking hands with innumerable visitors and thus not lose "the common touch" so essential in a democratic society.

14. Lobbies and Pressure Groups. The work of pressure groups is likewise important in molding public opinion. There are thousands of private associations existing for the purpose of influencing public thought on various matters. Among these are labor organizations, business organizations, farmers' organizations, and patriotic societies. Lobbies are organized efforts, not merely to color public opinion in general, but also to influence legislators to act favorably on the particular interests of the lobbyists.

While not all pressure groups seek ends at variance with the best interests of society, nevertheless it is true that many maintain a selfish viewpoint and seek to further their own ends, even when these ends conflict with the public welfare. On the other hand, it is claimed that some pressure groups have been organized for the purpose of focusing public attention upon worth-while objectives or upon issues which have been neglected or ignored by the political parties.

15. Propaganda. Propaganda may be defined as an organized effort to influence public opinion. The propagandist seeks to incline the public to a particular point of view. An appeal is made, not so much to the reason as to the emotions. The term propaganda, as commonly understood, has an unfavorable meaning. It implies a hidden, destructive attempt to direct the thinking of large masses of people. The propagandist emphasizes those facts which will make the desired impression upon the public, and suppresses those which will tend to create a reaction unfavorable to the ends he wishes to promote.

Propaganda on a large scale was indulged in by opposing nations during the World War in order to stimulate the fighting spirit of their people. Within more recent years, it has been resorted to by Communists, on the one side, and by Fascists or Nazis, on the other side. A war of words preceded and accompanied the outbreak of European hostilities in 1939. Each nation sought to present its case in the most favorable manner and to the largest number of people.

16. Education and Public Opinion. Enlightened public opinion, which is essential to the efficient operation of democratic governments, is based on the ability of each individual to think for himself, without being unduly swayed by the influence of suggestion or imitation. This is the aim of education in a democracy. It is vicious for a nation to use its educational system to mold future public opinion in any one form or toward any particular interest.

Education should seek first to enlighten rather than to influence. It should provide not merely complete and accurate information but also abundant opportunity for training our young people to trace sources of information and to sift evidence, so that they may think clearly and form reasoned opinions for themselves. Public forums and town meetings are valuable agencies of popular education; they present opportunities for self-expression and for exposure to other points of view.

The disturbed conditions prevailing throughout the world today and the existence of philosophies of government in some countries which are antagonistic to the ideals of democracy place a serious responsibility upon the educational system of the United States and the other democracies of the world.

Summary. Political parties play an important part in the efficient operation of democratic governments. A political party is a group of individuals who hold similar views regarding matters of public interest. The members of the party associate themselves together in order to elect candidates to office, control the administration of public affairs, and further the policies of the party. In every party there will be found various shades of opinion: conservative, liberal, and radical.

The political party performs valuable services. It is an agency for the expression of public opinion and the enactment of public opinion into law. Political parties provide a means of nominating and electing candidates to office. They also help to focus attention upon the issues of the day. Two parties are especially desirable because one acts as a check upon the other.

Despite the services rendered by political parties, the rise of machine politics has been accompanied by inefficiency and corruption. Through legislative enactments, the national and state governments have attempted to check abuses that have appeared in raising the party funds. If a democracy is to function effectively, the citizen must become acquainted with the issues of the day; he must investigate the policies of political parties and the qualifications of their candidates.

Public opinion is said to be the majority opinion. It is a powerful factor in the operation of a democratic government. The creation of public opinion is influenced by the press, the radio, the moving picture, the public platform, and other agencies. Propaganda is a deliberate attempt to influence public opinion toward a certain end.

Some organizations known as pressure groups maintain lobbies and seek through various methods to direct public thought in order to further their own ends. Some of these methods are legitimate; others, illegitimate.

Enlightened public opinion requires that each individual shall think for himself, without being greatly influenced by suggestion or imitation. Our educational institutions should provide not merely information, but opportunities for training our young people to think clearly and impartially, and to form reasoned opinions of their own.

Word Study: Distortion, dissension, affiliation; patronage; strategy; "macing;" direct primary; party platform, planks; censor; contemporary; stereotypes, misconceptions; lobbies, pressure groups; public opinion, propaganda, education, prejudice.

Questions on the Text

1. What services are rendered by political parties? Illustrate.
2. Outline the development of political parties in the United States. Trace the development of the Democratic party. Of the Republican party.
3. Why is party organization important?
4. Explain the work of the National Committee. Of state committees. Of local committees.
5. How do political parties obtain funds?
6. Discuss the work of the National Convention.
7. Show abuses in political parties. Indicate some remedies for party abuses.
8. Discuss education and public opinion in relation to democracy.
9. What is propaganda? How does it differ from education?
10. What is meant by "pressure groups"? By "lobbies"?

Application and Interpretation

1. In your opinion what motives should impel a citizen to join a political party? Differentiate between high and low motives.
2. Enumerate and evaluate some of the pressure groups which influence public opinion. Which seem wholesome and why? Which are not and why?
3. How do political parties help to focus the attention of the people of your community upon public issues? Explain.

4. What are some of the local issues on which the people of your community hold divided opinions? Explain.

5. Point out some great national issues. What opinion have you formed on each of these issues? Explain how you came to hold the opinion which you have.

6. In your opinion, how can the citizen help to eliminate political abuses? Should he remain in a political party or leave it when dissatisfied with its policies? Give reasons.

7. How are the local units of the political parties in your community organized? Explain in detail.

8. It has been said that "the best men do not run for office." True or false? Why so?

9. Do you know of any laws that are not sustained by the public opinion of today? Illustrate. Explain.

10. Public opinion is said to be a powerful factor in a democracy. Discuss.

11. What agencies do you consider most important in influencing public opinion? Why?

12. In your opinion, are lobbies justified? Why or why not?

13. Is wartime propaganda justifiable? Why or why not?

14. Contrast public opinion with custom and law.

Suggested Activities

I. Prepare talks on the following subjects:

1. Comparison of the platforms of the Democratic, Republican, and Socialist parties in the last presidential campaign.
2. Wartime propaganda.
3. Origin and development of our two major parties.
4. Organization and work of the National Convention.
5. How public opinion is created.
6. Services of public forums and town meetings.

II. Have a committee select two or more newspapers which hold divergent political viewpoints on certain public questions. Read the daily issues of these papers for a period of two weeks or more, concentrating on the accounts of some matter of public concern. Note carefully how each paper presents its view of the public question. Is there any evidence to indicate suppression of news? Any evidence to indicate that the viewpoint is prejudiced? Any evidence to show that the newspaper is seeking to influence public opinion through its editorials, syndicated articles, cartoons, or other features? In your opinion, are the editors fair in their treatments of the issues? Make a report to the class on the results of your study.

III. Draw cartoons illustrating:

1. Services rendered by political parties.
2. Abuses in the party system.
3. Power of public opinion.

IV. Current Events Program. Consult recent magazines, current-events publications, newspapers, and the *Readers' Guide to Periodical Literature.* Read articles dealing with subjects discussed in this chapter. Present digest to class.

V. Hold a mock election. Before election prepare two platforms; have candidates make speeches stating their positions.

VI. Have groups report on political speeches heard at political meetings or over the radio. What issues were discussed? What stands were taken by speakers? Why?

VII. Have a committee obtain the following information in regard to the major political parties:

1. How the delegates to the National Convention from your state are selected.
2. How the state committee is selected; the number of members, and the functions of the committee.
3. How the local committees are selected, the number of members, and the functions of the committees.

COLLATERAL READINGS

ARNOLD—*Problems in American Life;* Chap. XVI, "The Press"; Chap. XXVII, "Elections and Political Parties."

BRAINARD and ZELENY—*Problems of Our Times;* Vol. I, Chap. XVI, "Propaganda."

GAVIAN, GRAY, GROVES—*Our Changing Social Order;* Chap. XXIII, "How the Party System Works"; Chap. XXVII, "Social Progress and Public Opinion."

HOUGHTON—*Realities of American Government;* Chap. IV, "Our Political Parties and Their Work"; Chap. V, "Nonpartisan Pressure Groups"; Chap. XXXIII, "Invisible Forces in Our Local Governments."

LAPP and WEAVER—*The Citizen and His Government;* Unit XII, "How Political Parties Work"; Unit XIII, "Why Public Opinion Is Important in American Government."

MAGRUDER—*American Government;* Chap. XVII, "Political Parties and Politics."

REED—*Form and Functions of American Government;* Part II, "Parties and Elections."

WALLIS and WALLIS—*Our Social World;* Chap. IX, "Public Opinion and Propaganda"; Chap. XVI, "Special Problems of Political Organization."

ADVANCED READINGS

BEARD and BEARD—*The American Leviathan;* Chap. IV, "Parties and Opinions"; Chap. VIII, "The Nomination and Election of the President."

BRUCE—*American Parties and Politics.*

DOOB—*Propaganda.*

GILLETTE and REINHARDT—*Current Social Problems;* Chap. XXV, "The Meaning of Social Control"; Chap. XXVI, "Public Opinion and Its Agencies."

LIPPMANN—*Public Opinion.*

LUMLEY—*The Propaganda Menace.*

LYNCH—*Boss Tweed.*

LYND and LYND—*Middletown in Transition;* Chap. IX, "The Machinery of Government"; Chap. X, "Getting Information: The Press."

MERRIAM and GOSNELL—*The American Party System.*

MUNRO—*The Government of the United States;* See Index.

TAYLOR and Associates—*Contemporary Problems;* Vol. II, Chap. IX, "Political Movements and Public Opinion."

YOUNG—*The New American Government and Its Work;* Chap. XXIV, "The Party"; Chap. XXV, "Public Opinion."

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CHAPTER XXXIII

POLITICAL IDEALS AND PROBLEMS AT HOME AND ABROAD

Objectives:

(1) To examine the nature and importance of social ideals, social progress, and social control.

(2) To point out the meaning of liberty and equality, and to show how democracy promotes and conserves these ideals.

(3) To observe how different forms of government attempt to solve their problems at home and abroad.

A. Social Ideals

1. Nature of a Social Ideal. An individual's ideal represents his aim in life. A social ideal, similarly, constitutes a goal of the group. An institution was defined as a social habit of thought. A study of social institutions took us back into the past, for present institutions, it was found, developed out of ancient customs. A consideration of social ideals, on the contrary, looks forward into the future. It brings us to a consideration of the possibility and the desirability of social progress.

Social ideals, nevertheless, grow out of social institutions. One cannot even dream about things with which he is entirely unfamiliar. Social ideals may look to the future, but they are rooted in the present. They are the opposite of what are regarded as the worst features of existing conditions. Thus an enslaved or oppressed people long for freedom, and a poverty-stricken folk dream of a land flowing with milk and honey. Finally, social ideals are thoughts and not things. An ideal is a thought about what should be, just as an idea is a thought about what is or what seems to be.

2. Social Ideals Differ. Individuals differ, and have always differed, in their explanations, and even in their descriptions, of conditions about them. Individuals differ, and have always differed, even more in their views as to what should be and how existing conditions might be improved. Even within our own circle of friends, it is easy to see how the ideals of various individuals differ. Differences in ideals become more noticeable when we compare the views of one political or religious group with those of another.

Differences in ideals become even more marked when we compare one society with another, as, for example, Nordic with Mediterranean peoples, or the Chinese with the Japanese. Witness the contrasts among the Greek ideal of beauty, the Roman ideal of patriotism, the medieval ideal of piety, and the modern American ideal of financial success.

3. Social Ideals Change. A study of history will demonstrate that not only do the ideals of various groups differ, but also that the ideals of a particular group change from time to time. Early Roman ideals differed sharply from later Roman ideals, and early American ideals, such as those of the Puritans, differed markedly from our ideals of today.

Ideals expand as well as change. The Greeks were democratic and liberty loving, in comparison with the relatively despotic Oriental peoples about them. Yet because the Greeks held slaves and denied foreigners the privileges of citizens, we should not regard them as thoroughly democratic. Ideals of democracy have risen, as well as spread, during the intervening centuries.

As observed in Chapter XIV, Americans of the Revolutionary period considered themselves very comfortable in comparison with the more primitive conditions of the earlier colonists. Judged by modern planes of living, however, they were not so well off. Our economic ideal of prosperity, like our political ideal of democracy, has risen.

4. Conservatives, Radicals, and Liberals or Progressives. Despite the fact that all may be equally well informed and equally well intentioned, various reformers are apt to disagree sharply as to what constitute ideal conditions. Conservatives, as the name implies, would conserve present conditions. They would keep things as they are, with little, if any, change. Reactionaries, or extreme conservatives, worship a golden age in the past; they would change present conditions to conform to past ideals and institutions.

Radicals, as the name implies, would go to the very roots of things and make fundamental changes. Although they agree as to the desirability of change, radicals naturally differ greatly among themselves as to the aim and method of social change. This fact has been the chief reason for the failure of many revolutions. All conservatives rallied around the existing order; many radicals rode off in different directions.

Liberals or progressives are midway between the no-change attitude of conservatives and the fundamental-change attitude of radicals. They have been called the pinks, in contrast to the conservative whites and the radical reds.

Because our ideals change and expand, what was regarded as radical in one period sometimes becomes liberal in a later period, and perhaps even conservative in a still later period. One who opposed divine right of kingship or who proposed the separation of church and state was a radical in the days of the Stuart kings of England. Before the War between the States, abolitionists, even in northern cities, were regarded as dangerous persons who were spreading destructive doctrines.

Within the present generation, social insurance was first opposed as radical, then tolerated as progressive, and finally accepted as conservative legislation.

Hope for a better future order seems to be in the hands of wholesome progressives and sane liberals, who admit the necessity and desirability of social change, but who study carefully each proposal and weigh its advantages against its disadvantages. They seek reform but not reconstruction, orderly evolution but not violent revolution. One problem of democracy, therefore, is to make haste slowly. Permanent social gains are more apt to come by political evolution, or slow, piecemeal change, than by revolution, or relatively sudden and drastic change. Social progress is opposed by extreme conservatives, but social stability is threatened by extreme radicals.

B. Social Progress and Social Control

5. Economic and Social Progress. Economic progress has been defined as the adjustment of man to his physical environment, or better still, as the adjustment of the physical environment by man to meet more fully and more adequately his economic wants. The result is an increase in economic goods and human comfort. Social progress may be defined as an improvement in social attitudes and a modification of social institutions in the direction of certain generally accepted social ideals.

Economic progress is apparent. It is the result of mechanical invention and scientific discovery. It has permitted man to adapt himself to different types of physical environment, including various kinds of weather and climate. The wide use of inventions and discoveries has been responsible for our present high rate of industrial productivity and our present advanced planes of living.

Social progress, on the other hand, has not moved so rapidly. Again, the direction of social progress is not so clear, for social ideals, as previously explained, differ and change. There is not always common agreement as to what constitutes the greatest good of the greatest number of people. What may be regarded by one thinker as progress may be viewed by another as decadence. Social change is obvious but social progress is debatable.

Finally, social progress may take place without its being realized. The raising of a particular social ideal at the same time that progress is being made toward it makes that ideal appear just as far off as it formerly was. Progress, then, is as much a matter of raising social ideals as it is a problem of conscious change toward them. Hence, social progress never reaches or realizes its ideals, just as economic progress never completely satisfies economic wants because of their infinite number and their expansive character.

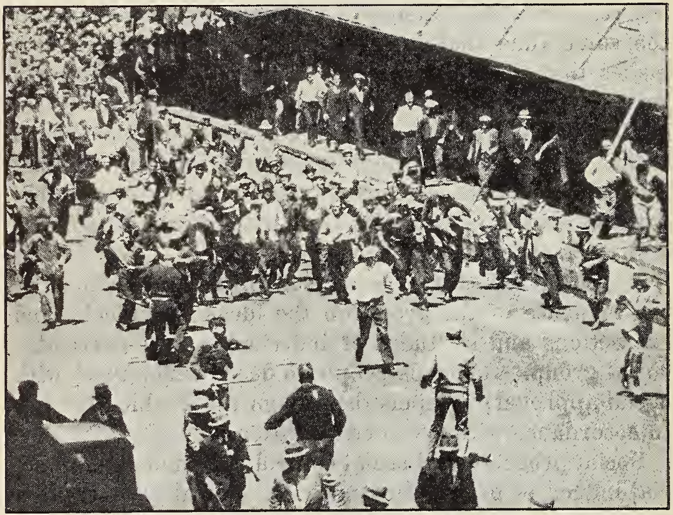
6. Social Control. Social control may be defined as the influence of the group on the ideas and ideals, and the actions and attitudes of individuals in a particular social group. It impels people to deeds which meet with social approval; it repels them from those which are not in accordance with accepted tradition.

Social progress and social control are fundamental social influences of opposing natures. Social progress is a moving force; social control is resistance to change. Social progress is the *motor* of the group, but social control is the *brake.* Who shall say which of these two essentials is the more important?

Social control is exerted by unwritten custom and written law, by traditions from the past and public opinion of the present. All social institutions, such as the state, the school, the church, and the family, are agencies of social control.

7. Mobs and Deliberative Assemblies. A mob illustrates the almost complete absence of social control and a deliberative assembly the effective presence of social control. A mob does not think; its members merely feel and act. A mob expresses itself with sticks and stones, or more mildly with threats and taunts. A town meeting, on the other hand, deliberates, debates, and decides.

What a contrast there is between these two kinds of social groups, even though they may be made up of similar people and are capable of quick transformation from one type to the other! Members of a mob have little, if any, feeling of social responsibility. They will rally quickly around anyone willing to assume temporary leadership, without regard to his qualifications, provided that he is loud of mouth and quick of action. A deliberative assembly, on the contrary, carefully chooses competent leaders and continually holds them responsible for their actions. It is a fairly permanent body. A mob



International News Photos

A MOB IS A THREAT TO SOCIAL CONTROL.

and its leader, however, seem to vanish as quickly as they assemble. A mob is a constant threat to social control; it contributes little except obstacles to social progress. Even in periods of revolution, the really valuable and permanent contributions are made by deliberative assemblies in congresses or committees, and not by uncontrolled mobs milling about in the city streets.

A central problem of democracy, therefore, is self-preservation of the social order against the anarchy of a mob, on the one hand, and the despotism of a dictator, on the other hand. Revolutions, which degenerate into mob rule, generally terminate in counterrevolutions, or the illegal seizure of power by dictators who have succeeded in bringing order out of chaos. A society, free but incapable of self-control, shows the excesses of the Reign of Terror; but a society, kept down by the iron heel of authority, has its Bastille or its Siberia. A democratic but disciplined society is regulated by its own town meeting and its own congress or parliament of elected representatives.

C. POLITICAL MALADJUSTMENTS AND POLITICAL IDEALS

8. Liberty within the Law. Government has sometimes been viewed as a threat to liberty. This was the case a century ago when many governments were absolute monarchies. Despotic kings deprived individuals of freedom of speech, freedom of press, religious liberty, and the right of peaceful assembly. This old fear of governmental interference with these and other civic rights of individuals led to the formulation and adoption of the Bill of Rights, which constituted the earliest amendments to our Constitution.

In a democratic and republican form of government, the state is the preserver and not the destroyer of individual liberty. Freedom is found to reside in government and not in anarchy. The state exists to protect the freedom of the peaceful, industrious, and socially minded citizens against the menace of bullies, drones, and pirates. Liberty gives the right to one's own freedom, but it imposes the duty of respecting the liberty of other individuals. License, on the other hand, is an extension of one's own liberty to the point where it restricts the freedom of other individuals. Liberty of thought, alas, sometimes leads to license in action. Even in a free country, law is necessary for the protection of the rights of all.

The degree of liberty which may be enjoyed and the extent of regulation which must be enforced vary from time to time and from place to place. They depend on circumstances. The frontier permitted freedom of thought and action. On the other hand, industrialization and urbanization require regulation. Factory legislation is necessary to protect workers from excessively long hours, low wages, and poor working conditions. City life requires ordinances regulating the disposal of sewage and garbage and preventing unnecessary dust, dirt, and noise.

9. Regulation without Regimentation. Previous chapters have shown the increasing functions of government and have given reasons for the newer concepts of freedom and liberty. They have explained how the duties of the state have expanded from the primary ones of preserving order at home and maintaining the national defenses against foreign aggression to the secondary ones of regulating business and rendering additional service to citizens.

Increased governmental regulation of business has been branded as *paternalism.* If unchecked, this tendency may lead, so it has been alleged, to government ownership of industry, or *socialism.* However, this jump from governmental regulation of industry to governmental operation of industry is a long one. If we should take an equally long step in the opposite direction we should go from less government in business, which is *laissez faire,* to no government at all, which is *anarchism.* If one must choose between these two extremes, surely socialism, which glorifies the state, is a less objectionable choice than anarchism, which destroys the state.

It is not necessary, however, to go to either of the two poles of extreme *individualism* or complete *regimentation.* A middle ground of governmental *regulation* of big business and reliance on competition in small business can be taken. This would not eliminate individual enterprise or private initiative.

The general principle to follow in deciding as to the social necessity and the political justice of governmental interference with industry seems to be one of restricting the liberty of individuals only when essential, and only to the extent necessary to protect the liberty of some individuals from the license of others, and to promote the greatest good of the greatest number of people.

A policy of ''rugged individualism'' is possible in a frontier community, an agricultural society, or the competitive economy of domestic handicrafts and small tradesmen. It is impossible, as has just been observed, in great cities, in congested industrial communities, or in a machine economy, characterized by specialization, large-scale production, big business, and monopoly. On the other hand, governmental regulation of industry must not go so far as to lead to the minute regimentation of our economic life, the complete destruction of individual initiative and voluntary co-operation, and the final loss of a sense of individual responsibility.

Part Two of our text stressed the instability of modern economic life and Part Three the quest for social security. In conclusion, it must be observed that the complete regimentation of our economic life and the loss of individual initiative and responsibility under economic paternalism or socialism might prove to be as undesirable as the economic instability of capitalism.

Chapters XX and XXI explained how poverty is being reduced by programs of social insurance of various types. It is true that social insurance is preferable to charity, just as charity is preferable to starvation. Nevertheless, self-support by public work or, preferably, by private employment is still better. Every man has a right to a job, but no healthy adult has a right, without giving some service, to a permanent living or lifelong support by his community.

10. Equality and Liberty. The Declaration of Independence states that ''all men are created equal'' and that ''they are endowed by their Creator with certain inalienable rights, among which are life, liberty, and the pursuit of happiness.'' The author of this famous document really meant that all free, white, male, adult citizens had a civic right to equality before the law. As Jefferson was a slaveowner, he must have realized that all individuals were not born under equal conditions and that some did not enjoy the rights of liberty and the pursuit of happiness.

As a sociological fact, all individuals are not born equal. Some come into homes of wealth and culture; others into hovels of poverty and ignorance. Opportunity may be greater and more widely distributed in the United States than in most other parts of the world, but complete equality of opportunity is still only an ideal. In Unit C of Part Two, the ideal of equality of opportunity was defined as the equal chance for all individuals to become unequal by developing to the fullest extent their natural capacities. The economic ideal of equality of opportunity is similar to the political ideal of liberty, which likewise may be defined as the equal chance for all individuals to progress and to succeed in life. This will be determined by the varying degrees to which their native abilities can be developed by their own industry.

As a biologic fact, furthermore, all individuals are not born equal, but with numerous, inherent differences. Variation and not sameness, within the species, is the law of nature. Some individuals are physically strong, but others, weak; some individuals are naturally bright, but others, stupid.

Liberty means not equal rewards, but an equal chance to all in the race of life; competition is encouraged, but it is restricted to socially desirable efforts. Liberty means freedom alike from artificial handicaps and from special privilege. It means success in proportion to one's own achievements, determined both by individual ability and by individual application of that ability in productive enterprise.

11. Property and Equality of Opportunity. Property may be defined as the legal right or title to wealth and its benefits, including the right to have and hold, to use and abuse, to buy and sell, and to inherit and bequeath wealth. Equality of opportunity has just been defined. Government exists to protect individuals in their rights to the possession and enjoyment of the fruits of their own industry and thrift. The state is the bulwark of private property as much as it is the defender of personal liberty. Among the constitutional guarantees in the Fifth and Fourteenth Amendments of the Federal Constitution are the rights of life, liberty, and property, secured against aggression by the federal and state governments respectively.

The ideal of the security of property may conflict with the ideal of equality of opportunity, just as the ideal of liberty was found to conflict with the ideal of equality. The right to own wealth and to bequeath property to one's children has been a powerful incentive to industry and thrift. On the other hand, the inheritance of property gives the children of wealthy parents an economic advantage over the children of poor parents.

A progressive democracy must compromise between the ideals of security of private property and equality of opportunity, as it has compromised between the ideals of liberty and equality. Our laws protect the institution of private property but the state taxes the wealth and income of the rich for the benefit of the poor. The rights of bequest and inheritance are permitted, but a highly progressive tax is placed on all transfers of property at death or even before death. Chapter XXXI, devoted to public finance, discussed these various taxes and contrasted the special benefit with the ability-to-pay theories of taxation.

D. INTERNATIONAL PROBLEMS AND POLICIES

Modern democracies suffer from serious international frictions and tensions. There are world maladjustments, as well as domestic maladjustments; one of the most glaring examples is war. There are international, as well as national, ideals; one of these is world peace and international good will.

12. War and Peace. One of the greatest maladjustments of all time is war; one of the highest ideals of all ages is that of peace. Prophets of ancient Israel dreamed of a time when swords would be beaten into plowshares and spears into pruning hooks. The Christmas song of the angels was one of peace to all men of good will. Two thousand years later the world is still full of wars and rumors of war. Science has discovered not only more effective ways of saving lives, but also more effective ways of taking lives. Modern civilization is shrouded by the dark clouds of war, of armaments and rearmaments, and of bombing planes and poison gas.

Under modern conditions, war results in a frightful toll of lives, liberties, and properties. The World War killed off millions of men in the prime of life; it also destroyed billions of dollars' worth of wealth, both public and private. This "war to make the world safe for democracy" was followed by a postwar crop of dictators. Many of its great issues, such as national security and self-determination of peoples, still remain unsolved. The World War kindled fears and hates, suspicions and jealousies; these smoldered in the hearts and minds of the next generation, until they finally broke out again in the flames of another armed conflict.

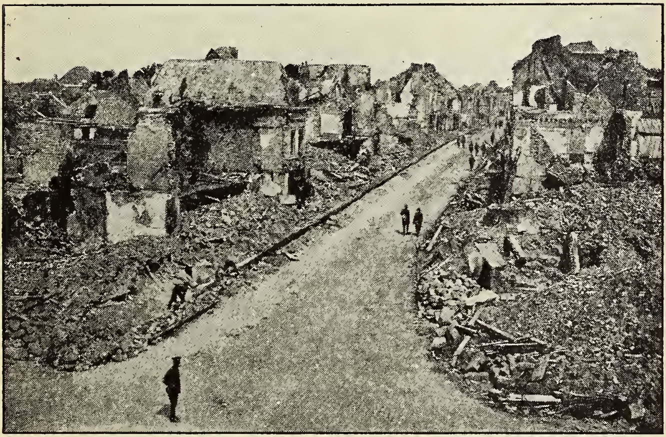


Photo by Brown Brothers

Devastation in France after the World War
Shall we see these sights again?

One of the chief lessons taught by war is that might is not always right. Again, there seems to be reason to believe that although despotic governments are frequently better prepared to go to war than are democracies, democracies are generally better able and more willing to fight a war through to a successful finish than are saber-rattling autocracies. Even small boys know that bullies, who are the first to threaten, are often the first to quit a hard fight. Despotisms have been compared to trim yachts, swift in action and readily responsive to the touch of the helmsman, but easily upset; democracies, on the contrary, may be likened to clumsy scows or rafts, slow in action and difficult of control, but almost impossible to sink.

The preservation of world peace, despite a clash of national interests, is imperative for the preservation of our present civilization. This requires the peaceful settlement of international disputes, instead of a resort to the savage method of fighting them out by force of arms. Cannot the ideal of democracy be expanded from that of representative government within a nation to that of representative government among nations? Cannot an international court function in the settlement of disputes between countries in a fashion comparable to that in which national courts settle disputes between individuals? Not so many generations ago "gentlemen" fought duels over "affairs of honor," but today only ruffians in alleys resort to their fists and criminals to knives and pistols.

13. Imperialism and Isolation. Many nations today are striving to become economically self-sufficient, so that in case of war they will not be dependent on other parts of the world for food, raw materials, and essential manufactured goods. Other nations are seeking similar objectives of economic security and independence by a very different method; they are attempting to obtain territorial possessions, concessions, or protectorates—the complete or partial control over small, weak nations—in various parts of the world which will assure them of an adequate supply of the necessary raw materials of industry and also of markets for their own manufactured goods.

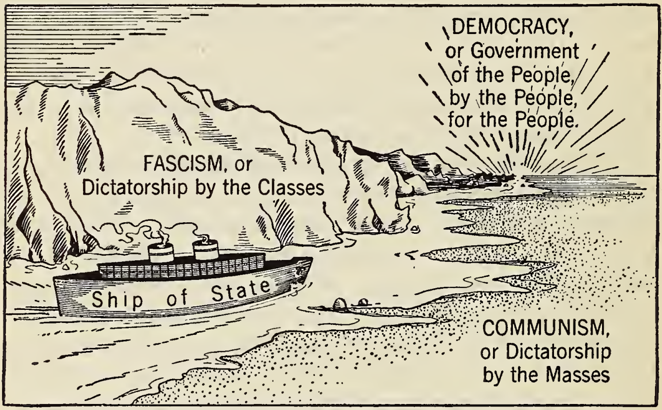
A political policy of national isolation today is as useless as an economic program of national self-sufficiency is wasteful and difficult. Modern means of transportation and communication have made each country the neighbor of every other country. Modern inventions have made no country, however distant and however well surrounded by natural barriers or artificial fortifications, safe from invaders, who may attack it by land, or sea, or air. Protection against the penetration of ideas or of propaganda is even more difficult.

Imperialism—the policy of assuming control over people beyond the nation's borders—is as dangerous as isolation is hopeless. Conflicting aims and ambitions of imperialistic nations sooner or later bring about international friction or tensions, which may lead to war, immediately or eventually. The ''good-neighbor'' policy cannot be one of complete isolation or one of ruthless imperialism. Common courtesy demands that neighbors be on friendly speaking terms; common sense demands that they stay in their own back yards.

14. Communism and Fascism. At the present time, European ships of state seem to be traveling a dangerous channel through troubled seas. On the one shore, lie the sands of Communism; and on the other shore, stand the rocks of Fascism. Russia is now a Union of Soviet Socialist Republics. Italy is committed to Fascism, and Germany to Nazism, a form of National Socialism not unlike Fascism.

If communism may properly be called ''dictatorship by the masses,'' then Fascism may be termed ''dictatorship by the classes.'' Democracy, on the contrary, is ''government of the people, by the people, and for the people.''

Both Communism and Fascism constitute a threat to individual liberty, because the individual becomes subservient to the state; he is molded to, and motivated by, its particular set of ideals. Each is likewise a threat to social democracy, for both movements are similar in that the political party in power, be it that of Communists, Fascists, or Nazis, determines national policies. Minority parties are not recognized, and even majority groups may not be able to express themselves effectively against the political party in power. Civil liberties, such as those of freedom of speech and freedom of the press, religious liberty and the right of peaceful assembly, are often denied. Individuals with liberal opinions may be prosecuted, and groups offensive to those in power may be persecuted.


DEMOCRACY,
or Government
of the People,
by the People,
for the People.
FASCISM, or
Dictatorship by the Classes
Ship of State
COMMUNISM,
or Dictatorship
by the Masses

A Difficult Course for the Ship of State to Steer

Public opinion in a dictatorship cannot filter freely through the natural channels of association and communication; it is artificially pumped out by a politically inspired and governmentally censored press. A Minister of Education becomes, in reality, if not in name, a Minister of Propaganda. Truth is no longer sought for its own sake and dissenting opinions are no longer tolerated. Such a society has no Problems of Democracy, for democracy has ceased to exist.

Summary. American political ideals, stressed in this chapter, include those of liberty within the law, regulation without regimentation, and the security of property with the achievement of equality of opportunity. Problems of democracy were found to involve the reconciliation of liberty with equality and of democracy with efficiency in government. They were found to include an avoidance of the two extremes of too much government and too little government; that is, extreme socialism, on the one hand, and complete anarchism, on the other hand.

World problems of democracy, we have just seen, include the preservation of democracy or "government of the people, by the people, and for the people," against dictatorships, whether they be those of individuals, of classes, or of masses. Certain foreign countries; for illustration, have faced the unpleasant alternatives of Fascism or Communism.

Another difficult choice before many lands is that between isolation and self-sufficiency, on the one hand, and imperialism or national expansion, on the other hand. The American policy of the good neighbor would seek, likewise, to avoid each of these two extremes. A final problem of democracy, which is closely related to these issues, is the maintenance of world peace and the preservation of national security.

The foregoing pages have reviewed some fundamental Problems in American Democracy. They call for difficult decisions and involve hard choices; their solution requires accurate information, sound judgment, and good balance. The past generation has left a heavy burden on the backs of the youth of today, including taxes, wars, depressions, and other maladjustments. But the past generation has also left a rich heritage of noble traditions and high ideals. Our youths have inherited Pandora's box of troubles, but they have likewise been endowed with the spirit of courage, hope, and faith in education. The truth does set men free, free from fears, hates, and prejudices.

Word Study: Conservatives, reactionaries, radicals, liberals, progressives; evolution, revolution; progress, decadence, inertia; liberty, license; socialism, anarchism, imperialism; Communism, Fascism, Nazism; democracy, autocracy, dictatorship, despotism; idea, ideal, social ideal.

Questions on the Text

1. Explain what is meant by a social ideal. Give some of its characteristics. Illustrate.
2. Why are social ideals not quickly and easily achieved?
3. Differentiate among and define: radical, conservative, liberal, progressive, ultraconservative, and reactionary.
4. What is meant by adjustment and maladjustment?
5. Define each and distinguish between evolution and progress. Illustrate.
6. Differentiate between economic and social progress.
7. Define, distinguish between, and show the relationship of social control and social progress.
8. Contrast liberty with license. Illustrate each.
9. Compare socialism with anarchism.
10. Distinguish between equality and equality of opportunity.
11. How do you define property? What does the concept include?
12. Show how the good neighbor policy is neither imperialism nor isolation. Illustrate.
13. Distinguish among Fascism, Nazism, and Communism.
14. What definition of democracy has been used in this text? Do you know any others?
15. Why is democracy apt to triumph in the long run, despite temporary suppression?
16. Why is education the hope of democracy?

Application and Interpretation

1. Show how social ideals grow out of existing social organization.

2. Show how social ideals differ from group to group and change from time to time.

3. Show how the radical of yesterday may become the liberal of today and the conservative of tomorrow.

4. "A radical entrusted with governmental responsibility soon becomes a conservative." Explain and illustrate. Defend or criticize the statement.

5. Why is progress difficult to define and to determine?

6. Why is crowd psychology dangerous? How can it be guarded against? Illustrate.

7. Explain the implications of the expression, "liberty within the law."

8. Show how industrialization has increased the functions of government.

9. In what sense and to what degree are the ideals of liberty and equality in conflict?

10. What is meant by "dollar diplomacy"? Illustrate.

11. In what specific cases has the United States exemplified the good neighbor policy? In what cases violated it?

Suggested Activities

I. Prepare talks on the following subjects:

1. Present obstacles to world peace.
2. Present hopes for peace.
3. Democracies *versus* dictatorships.
4. Some modern inventions promoting progress.
5. Obstacles in the path of progress.
6. Education as a factor in promoting progress.
7. The Americanism of Washington, Lincoln, or some other great Americans.

II. Have a committee examine the Federal Constitution and your state constitution. List the outstanding social ideals contained in these documents. In the opinion of the committee is any progress being made toward the attainment of these ideals? Report findings to class and use findings as a basis for class discussion.

III. Have a committee examine sources of information in your community. Interview older people and consult old records, newspapers, and photographs to discover how an earlier generation met the following problems. Contrast with conditions today. Report findings to class. Would you say that the changes indicate progress?

1. Communicable diseases.
2. Water supply.
3. Housing conditions.
4. Recreational facilities.
5. Methods of transportation and communication.

IV. Draw cartoons illustrating:

1. How machines may be used to promote human happiness.
2. How machines may be used to destroy human happiness.

V. Have a committee examine some of the features of the following and report findings to class:

1. Russian Communism.
2. Italian Fascism.
3. German Nazism.

VI. Write an essay on the following subject: What American Democracy means to me and how I can help improve and preserve it.

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